MAPLE LEAF FOODS INC.

2002 annual report

Maple Leaf Foods is a leading Canadian food processor, exporting to over 100 countries worldwide. The Company's **Protein Value Chain** operations include feed and animal nutrition programs, hog production, value-added pork, poultry and processed meat products, and rendering. The Company's **Bakery Products** operations include fresh and frozen par-baked bakery products and fresh pasta.

Maple Leaf Foods is a public company with shares trading on the Toronto Stock Exchange under the symbol MFI. Headquartered in Toronto, Canada, the Company employs more than 18,000 people at its operations across Canada and in the United States, Europe and Asia.

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it takes strong principles

Getting it Done underscores the culture of doing, not talking, which permeates our Company. We have done what we said we would do – not without some bumps along the way – and will continue to drive performance in an action-oriented, straight-talking organization.

Financial highlights

Operations Highlights

Acquisitions & Finance

- Acquired the remaining 40% of Ben's Bakery in Atlantic Canada
- Acquired Olafson's Baking Company, a premium bakery in British Columbia
- Acquired Grace Baking Company, a leading artisan bakery in California
- Canada Bread purchased Maple Leaf Foods' U.S. and U.K. bakery operations
- US$200 million debt private placement to Prudential Capital Group

Expansions

- Construction of $10.4 million feed mill in Souris, Manitoba
- Installation of additional par-baked bread line capacity in Roanoke, Virginia
- Major expansion of our fully-cooked poultry line in Brantford, Ontario

Innovations

- *Maple Leaf Medallion Naturally* Pork
- Maple Leaf Master Brand "We Take Care™"
- Bio-diesel project
- *Dempster's* Waffles
- *Nature's Gourmet* Frozen Soya Entrees

(In millions of Canadian dollars, except per share information)

For years ended December 31	2002	2001	2000	1999	1998
Consolidated results					
Sales	$ 5,076	$ 4,775	$ 3,943	$ 3,530	$ 3,281
Earnings from Operations, before Unusual Items	204	158	90	147	103
Net Earnings (Loss)	85	57	37	77	(23)
Return on Net Assets Employed(i)	9.2%	7.6%	5.4%	9.5%	6.2%
Financial position					
Net Assets Employed(ii)	$ 1,458	$ 1,405	$ 1,298	$ 1,148	$ 998
Shareholders' Equity	732	660	451	465	395
Total Net Borrowings	579	599	722	566	480
Per share					
Net Earnings (Loss)	$ 0.71	$ 0.55	$ 0.34	$ 0.77	$ (0.25)
Dividends	0.16	0.16	0.16	0.16	0.16
Book Value	5.64	5.05	3.77	3.93	3.28
Number of shares (millions)					
Weighted Average	112.5	95.9	95.1	94.4	93.6
Outstanding at December 31	112.9	112.0	95.1	95.0	94.1

(i) After tax, but before interest, calculated on average month-end net assets employed. Excludes unusual items in 1998 and significant gains on asset sales in 1999 and 2000.

(ii) Total assets, less cash and non-interest bearing current liabilities.

Results

- Sales exceed $5 billion
- Operating earnings increase 16%*
- EPS of $0.71
- RONA of 9.2%
- Debt/EBITDA of 1.9 x

* *Calculated after adding back goodwill amortization of $10.4 million in 2001 and excluding a pension wind-up gain of $8.6 million in 2002. Refer to Management's Discussion and Analysis for a detailed description of these items.*

Operating groups

PROTEIN VALUE CHAIN

Meat Products Group

(In millions of Canadian dollars)	2002	2001	% change
Sales to Customers	$ 2,952.9	$ 3,113.0	(5.1)%
Earnings from Operations	58.2*	42.4*	37.4 %
Total Assets	694.0	724.1	(4.2)%

Agribusiness Group

(In millions of Canadian dollars)	2002	2001	% change
Sales to Customers	$ 943.9	$ 878.7	7.4 %
Earnings from Operations	66.8	82.8*	(19.3)%
Total Assets	500.0	457.9	9.2 %

Total Financial Results – Protein Value Chain

(In millions of Canadian dollars)	2002	2001	% change
Sales to Customers	$ 3,896.8	$ 3,991.7	(2.4)%
Earnings from Operations	125.0	125.2*	0.0 %
Total Assets	1,194.0	1,182.0	1.0 %

Maple Leaf Consumer Foods

Canada's leading provider of branded, value-added prepared meat products.

Maple Leaf Pork

Canada's leading processor of fresh, frozen and value-added pork and pork products.

Maple Leaf Poultry

Canada's leading processor of fresh, frozen and branded value-added chicken and turkey products.

Maple Leaf Foods International

Canada's largest global food marketing, distribution and trading operation.

Shur-Gain/Landmark Animal Nutrition

A leading researcher, developer and supplier of quality livestock, livestock nutrition and pet food programs in North America.

Elite Swine

The largest swine production operation in Canada.

Rothsay

The leading animal by-product recycling operation in Canada.

BAKERY

Bakery Products Group

(In millions of Canadian dollars)	2002	2001	% change
Sales to Customers	$ 1,179.1	$ 783.6	50.5%
Earnings from Operations	70.0	42.7*	63.6%
Total Assets	742.8	627.0	18.5%

* *Refer to note on Page 2.*

The **Bakery Products Group** is comprised of Maple Leaf's 73.3% ownership in the Canada Bread Company, Limited. Canada Bread is a leading producer and distributor of fresh bakery products, frozen partially-baked or "par-baked" products, and fresh pasta and sauces, supported by operations across Canada and in the United States and the United Kingdom.

it's what we're made of

Protein Value Chain

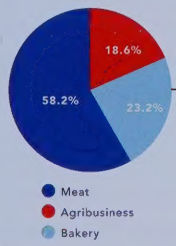
Operation	Primary Products & Services	Primary Markets	Infrastructure	2003 Objectives	Did You Know?
Consumer Foods	Branded, pre-cooked prepared meat products including bacon, ham, wieners, deli and canned meats and soy-based meals	Canada and the United States	Plants: 8 Offices: 6	• Accelerate Food Service growth • Further expand U.S. sales • Continue product innovations	The Maple Leaf brand dates back to 1898, with over 300 varieties of pre-cooked products currently produced
Pork	Fresh, frozen and value-added pork products, including *Maple Leaf Medallion Naturally* branded pork	Canada, United States and Japan	Plants: 9 Offices: 3	• Expand branded product sales • Continue to grow value-added customer base • Improve customer service through demand supply integration	Maple Leaf Foods is Canada's leading pork producer processing over 6 million hogs in 2002
Poultry	Fresh, frozen and value-added chicken and turkey products, including *Maple Leaf Prime Naturally* branded chicken	Canada and the United States	Plants: 9 Office: 1	• Drive new product innovation • Increase manufacturing efficiency • Drive supply and demand back in balance	*Maple Leaf Prime Naturally*, all vegetable grain-fed poultry, is Canada's #1 brand of value-added chicken
International	Global marketing, distribution and trading operation, including pork products, seafood, grain and soy products, pre-cooked meat and poultry products, french fries and pet food	Japan, Hong Kong, China, Mexico, Germany, United Kingdom, South Korea and the United States	Plants: 2 Trading Offices: 11	• Increase sales of chilled pork in Asia • Expand European sales of ready-to-eat meat products • Prepare marketing beachhead in China	Maple Leaf Foods is Canada's largest exporter of food products to more than 100 countries
Shur-Gain	Research, development and production of nutrition products and programs for livestock, poultry, aquaculture and pet food customers	Canada and New York State	Mills: 11 Offices: 4 Hatcheries: 3 Research Facilities: 3 Retail Sales Centres: 7	• Capitalize on market leadership • Optimize manufacturing processes • Expedite technology transfer • Standardize best practices	Shur-Gain is a leader in animal nutrition research and development and is Eastern Canada's leading animal nutrition company
Landmark Feeds Inc.	Research, development and production of animal nutrition products and programs	Manitoba, Saskatchewan, Alberta and British Columbia	Plants: 10 Offices: 2	• Increase Vertical Coordination with other MLF operations • Provide customers with on-line performance data capabilities • Enhance research capabilities using Six Sigma methodology • Introduce Near Infrared quality control technology	Landmark is Western Canada's leading feed company, producing over 700,000 tonnes in 2002
Elite Swine Inc.	Swine production and swine genetics	Western Canada, Ontario and the Midwest United States	Regional Offices: 4	• Increase Vertical Coordination with Maple Leaf Pork • Expand finishing barn capacity • Establish Canadian leadership in sustainable swine production management	In 2002, Elite Swine had over 127,000 sows under management, which will produce over 2.75 million hogs on an annualized basis
Rothsay	Recovery of animal by-products and food residuals into value-added products including fertilizer, protein additives and bio-diesel	Ontario, Manitoba, Quebec, Atlantic Canada and the European Union	Plants: 6	• Develop products outside of traditional markets • Complete environmental upgrades • Expand Six Sigma deployment	Rothsay is Canada's largest recycler of animal by-products, and the only independent rendering operation in North America to achieve HACCP compliance

Maple Leaf Foods **2002** operations overview

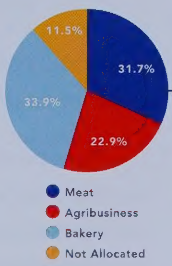
Bakery Products

Canada Bread Company is 73.3% owned by Maple Leaf Foods

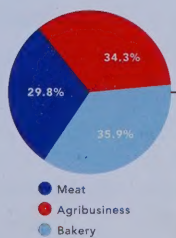
Operation	Primary Products & Services	Primary Markets	Infrastructure	2003 Objectives	Did You Know?
Fresh Bakery	Production and distribution of fresh baked products including breads, rolls, bagels, artisan breads and sweet goods	Canada and the United States	Bakeries: 23 Offices: 3 Sales Depots: 69 Distribution Centres: 6	• Integrate acquisitions • Optimize manufacturing and distribution network • New product innovations • Increase penetration of the U.S. marketplace	Canada Bread is a leading producer and distributor of fresh bread products, and produces the leading *Dempster's* brand of whole grain products
Frozen Bakery	Production and distribution of frozen par-baked bread, rolls and bagels	Canada and the United States	Bakeries: 10 Office: 1	• Drive sales in Retail and Food Service channels • Focus on value-added products • Be the low cost producer	Canada Bread is the leading producer of partially baked or "par-baked" products in North America
Maple Leaf Bakery, U.K.	Production of bagels for private label and owner of the *New York Bagel* brand	United Kingdom and Europe	Plants: 2	• Grow bagel sales in U.K. and Ireland • Penetrate European market • Expand value-added product lines	Maple Leaf Bakery is the largest producer of bagels in the U.K.
Pasta	*Olivieri* fresh pasta and sauce products	Canada and the United States	Plants: 2	• Drive retail sales and food service growth • Demonstrate leadership in customer relationships and product innovation	Canada's leading brand of fresh pasta and sauces



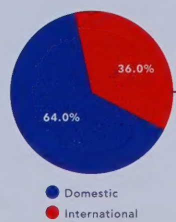
Sales by Group



Total Assets by Group



Operating Income by Group



Sales Domestic vs. International

it's been another good year

G. Wallace F. McCain
Chairman

"In 2002, our Board members achieved a solid 90% attendance record at the 29 Board and Board Committee meeting events that were held. This record clearly reflects their commitment to the Company and intense sense of responsibility for their duties."

It has been a remarkable year on the corporate governance front in the business world.

Corporate governance has been a top priority at Maple Leaf Foods since 1995 when McCain Capital Corporation and Ontario Teachers' Pension Plan Board, two organizations that share an intense passion for corporate governance, made significant investments in the Company.

Laws, regulations and processes all contribute to good corporate governance. But the most critical ingredient for success is the quality, integrity and dedication of the people responsible for governing a company. Our Directors each have outstanding reputations in their respective fields of expertise and for their personal and professional integrity. Ten of our 13 Board members are "outside directors" as defined by securities regulations. Collectively, our Directors have varied and deep experience in all areas relevant to the governance of our organization.

The governance culture at Maple Leaf Foods is one of accountability, responsibility and director independence. This necessitates hard work and active participation by all of our Directors. The Board is provided detailed information packages in advance of each meeting and participates actively in all matters related to our business. In 2002, our Board members achieved a solid 90% attendance record at the 29 Board and Board Committee meeting events that were held. This record clearly reflects their commitment to the Company and intense sense of responsibility for their duties.

The work of the Directors is not confined to meetings – they receive regular updates on developing matters and management regularly seeks their counsel.

We are proud of how the Company has been governed to date. However, like so many other things in business, corporate governance is a journey, not a destination. We are constantly reviewing new ideas in the field of corporate governance for their applicability to Maple Leaf Foods, and implementing those that we conclude will serve the interests of our shareholders. These include instituting a comprehensive Board Practices review, led by Purdy Crawford, Chair of the Board's Corporate Governance Committee and Lead Director, and increasing the Board's understanding of the Company's strategic direction and global industry challenges and opportunities.

We are very pleased with the performance of Maple Leaf Foods in 2002 and with the progress achieved in expanding our value-added products and customer services, geographic reach and leadership in key markets and categories.

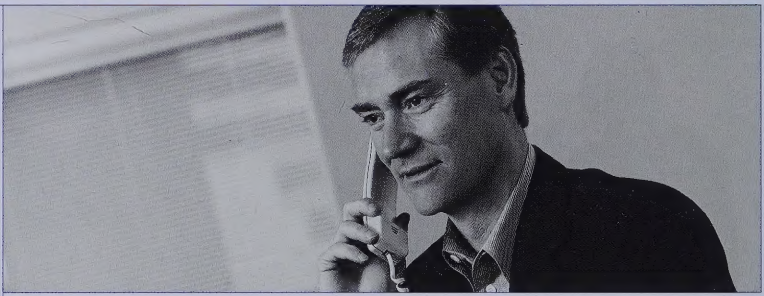
On behalf of all shareholders, I would like to thank our Directors for their outstanding contributions in supporting another year of continued growth.

G. Wallace F. McCain
Chairman

Board of Directors
(left to right)
Michael H. McCain
Chaviva M. Hosek
Donald E. Loadman
Gordon R. Ritchie
J. Scott McCain
J. Edward Newall
Jean-Claude Delorme
James F. Hankinson
Robert T. Stewart
Purdy Crawford
Robert W. Hiller
Jeffrey Gandz

it's our way of thinking

Michael H. McCain
President and Chief Executive Officer



We have made our Leadership Edge and Six Sigma the essential DNA of Maple Leaf Foods and we will continue "getting things done" that build on these pillars.

Fellow Shareholders:

Facing substantial headwinds in the marketplace, we made excellent progress in 2002. It was a year of declining live hog prices, rising feed grain, wheat and flour prices, and excess supplies of meat proteins across North America. While the underlying market conditions worked against us in 2002, we were able to increase our earnings per share by over 9% and achieved a return on net assets of 9.2% for the year. We are well satisfied with these results.

In his recent book on the merits of great execution in the success of a business, Larry Bossidy said, "*Worry about people who talk about philosophy and strategy too much, and pay attention to people who talk about getting things done*". This reflects precisely what the Maple Leaf Foods organization stands for. The theme of our 2002 Annual Report and our 2003 organizational focus is "Getting It Done" and underscores the culture of doing, not talking, which permeates the Company. We have done what we said we would do – not without some bumps along the way – and will continue to drive performance in an action-oriented, straight-talking organization.

The DNA of Maple Leaf Foods

In 1998, we said we would create a competitive edge through Leadership. We have done that and continue to do it. Our commitment to attracting, developing, motivating, and retaining top talent is profound. We have made our core Leadership Values, a high performance ethic, the glue that binds the team of champions together. We have implemented and continue to refine leading edge performance management systems and processes. We have invested unprecedented resources in the ongoing development of human capital and leadership capacity. We have recruited incredible new talent from all types of backgrounds, and grown exist-

ing talent to levels not previously believed possible. Our bench strength gets stronger and deeper by the day. During 2002, we completed 5,200 person days of leadership development and recently launched new refinements to our performance management systems.

In 1999, we committed to the disciplined process of Six Sigma to provide a set of tools that Maple Leaf Foods would use to achieve continuous improvement in business performance. We said it would permeate the organization in all areas – product and process – and would touch every function. Today, we have one of the leading edge Six Sigma deployments in North America. We have a network of over 70 dedicated Black Belts, plus management and support staff, and expect to add 25 to 30 Black Belts per year for at least the next three years. Our in-house training and development group is second to none. The portfolio of projects, some of which are highlighted in this report, is simply extraordinary in its diversity and in the value they are adding to our operating performance. No matter what the mandate of a particular project, there are new discoveries being made every day that both defy conventional wisdom and create enormous potential for competitive advantage, all facilitated by the analytical, statistical and project rigor of Six Sigma. Over the course of 2002, we completed 66 projects.

Reducing Commodity Influence in Our Business Mix

Like any commercial enterprise today, we have external influences that can impact our business positively or negatively. It's our job to minimize these influences as best we can, which we do through our business portfolio, Vertical Coordination, risk management, and brand development strategies.

The Maple Leaf Foods portfolio is a balance of protein and bakery operations. Within the protein groups, there are very stable and predictable units like branded packaged meats, international sales and marketing, and several of the agricultural operations. Conversely, we have more variable hog production, poultry, and pork processing operations. Within these businesses, there are natural hedges to various market cycles and influences. On top of this, Maple Leaf Foods has 34% of its assets in the Bakery industry, which may not present the same global industry growth rate as meat proteins, but is more stable and predictable.

Our performance scorecard:

- Sales grew by 6.3% to $5.1 billion
- EBITDA increased 14.1% to $305.1 million
- Earnings from operations increased by 16%* to $203.6 million
- Earnings per share grew 9.2% to $0.71
- Cash provided by operations was $195.8 million; capital expenditures were $92.2 million; and business acquisitions totaled $67.0 million
- Return on net assets grew by 1.6 percentage points to 9.2%
- Completed three strategic bakery acquisitions – Ben's Bakery, Olafson's Baking Company, and Grace Baking Company
- Completed the combination of all the Maple Leaf bakery assets, with Canada Bread acquiring Maple Leaf Bakeries, U.S.A. and Maple Leaf Bakery, U.K.
- Share price closed the year at $10.95, up 4%, modestly outperforming the S&P Food Products Index which declined 1.0%

* Refer to note on Page 2

Vertical Coordination is a business strategy that we developed in the year 2000. We believe this model yields greater benefits than vertical integration due to the superior results of independent owner/operators in hog production, and the reduced capital requirements for Maple Leaf Foods due to our minority equity position in hog farms. That said, the natural hedging impact of operating across the full value chain is also an important attribute of the strategy. Typically, through the entire cycle, when hog production generates poor returns processors perform better. The reverse usually applies when hog prices are high. Maple Leaf benefits from the counter-cyclical effects of Vertical Coordination in two areas; the performance of its hog production investments and through long-term fixed price contracts with hog producers.

In 2002, hog processing margins were slightly better than the prior year, however, both our hog production investments and our fixed price producer contracts were adversely affected by rising feed grain costs and declining live hog prices. Historically, in markets of such low hog prices, processing margins are much higher than what was actually experienced in 2002. This was due to the pressure that excess supplies of all meat proteins in North America placed on the price for finished products, including pork and poultry. Finally, wheat markets experienced a rapid rise across North America over the course of the year, which impacted the price of flour for our bakeries. We were able to implement offsetting price increases late in the year.

Risk management is another mechanism we actively employ to reduce the affect of commodity influences. It is integrated into our agricultural procurement programs and used to match the risk profiles of our sales exposure. We buy wheat or flour forward to match market exposure, we hedge hog production when opportunities exist, and we hedge forward product sales.

Finally, the role of brands and "value-added selling" cannot be underestimated in their ability to reduce volatility. Maple Leaf continues to invest enormous resources in brand development, innovation, and value-added products for markets around the world. This has, and will continue to stabilize the performance of the Maple Leaf portfolio in both the Bakery Products and Meat Products Groups.

In aggregate, faced with difficult market conditions, we were very satisfied with the results for 2002. We believe the Maple Leaf business portfolio is well balanced to reduce the external influence of agricultural commodities. To illustrate this, over the past eight years, we have only experienced one

Executive Management Team
(left to right)

Tom Muir

Scott McCain

Richard Lan

quarter-over-quarter decline in earnings due to negative commodity markets (Q4 2002). We are proud of our progress and will continue to improve our performance.

Getting Our Bakery Strategy Done

Over the last few years, we have taken steps to address the "spaghetti mess" of ownership in our bakery assets, in order to create a cohesive and focused operating unit. This included purchasing the remaining shares of Multi-Marques (2001) and Ben's Bakery (2002). As a final step, in late 2002, Canada Bread, Maple Leaf Bakeries, U.S.A., and Maple Leaf Bakery, U.K. were combined under the roof of Canada Bread. Maple Leaf Foods also acquired additional shares of Canada Bread, increasing our economic interest to 73.3%. Other strategic acquisitions along the way, included New York Bagel (U.K.), Olafson's Baking Company (B.C.) and Grace Baking Company (U.S.).

While we don't own 100% of the bakery business, it is operated as a full-fledged operating company in the Maple Leaf group of companies, as a complete and equal participant in all our systems, programs, process standards and business strategies through a common corporate shared service. Protein companies and bakery companies are equal participants in the Maple Leaf world. In 2002, we reorganized our bakery business unit to reflect a North American structure focused on fresh, frozen and pasta products. Maple Leaf Bakery, U.K. continued to drive significant growth in bagels while out-performing the business plan at the same time.

By executing successfully against our strategy, our bakery assets are now well positioned to take advantage of growth on two continents.

Defining the Future for the Brand, Maple Leaf

Consumers today are seeking new things. They want convenient solutions to their food preparation or service needs. They want better nutritional perform-

ance from their food. They want their food to taste great at a reasonable value. But most of all today, consumers want confidence. This is particularly so in the case of meat, where fully 78% of consumers consider safety as a key factor when making a purchase decision. They want more information – What is in our food? Where does it come from? How is it grown? Is it fresh? They want to know that rules that safeguard our food supply are not only in place but are being enforced. They now want hard evidence that our food is safe and nutritious.

In 2002, Maple Leaf used these consumer insights to carefully chart a long-term course for the Maple Leaf brand that centered its identity on a commitment to food safety and quality assurance. We expressed this commitment in a new positioning statement for all Maple Leaf brand products – Maple Leaf "*We Take Care*™". This over-arching position for the Maple Leaf brand says in clear terms that while we will deliver on the unique attributes of each of our products such as taste, nutrition, convenience and value; and we will underpin these with our commitment to continuous improvement in the area of food safety assurance. At Maple Leaf, this means building a culture of food safety in all aspects of our businesses, reinforcing this with investment in research, people and training, and assuming the highest operating standard of care that technology and vigilance will allow. Over time, we will continue to build on this foundation by taking extreme care in both prevention and preparedness in the event of a food safety issue.

The Maple Leaf brand has a history that dates back to 1898. For more than a century, the brand has stood for great quality products – a brand consumers can trust. Over the past two years, we have developed a strategy to transition this rich history for quality and food safety into a distinct brand strategy for our flagship meat products brand Maple Leaf – "We Take Care™".

Executing on the Front Lines, One Day at a Time

In our ***Meat Products Group***, volumes grew while sales dollars held steady, reflecting a year-over-year reduction in average price per kilo due to a decline in live hog prices. Operating earnings grew by 37.4% from $42.4 million to $58.2 million. ***Maple Leaf Pork*** continued to improve performance by executing its strategy of adding value to each and every product and customer relationship, a process we describe as "*To The Right*". Both primary scale plants are operating at full single shift capacity today and improvements to processing efficiencies have been exceptional. In total, Maple Leaf Pork processed 6.3 million hogs in 2002. ***Maple Leaf Poultry*** dealt with very difficult market conditions in the year connected largely to the over supply of animal proteins in North America, although we saw markets beginning to improve by year end. ***Maple Leaf Consumer Foods*** was a beneficiary of lower raw material markets, but significantly enhanced results through ongoing product innovation successes such as *Maple Leaf TopDogs MegaBites, Maple Leaf Medallion Ham* and *Bacon*, and *Maple Leaf Ezee Carve Ham*. ***Maple Leaf Foods International*** continued to grow sales and market share in the important Japanese pork markets, while developing its business exports to over 100 countries around the world. South and Central American exports grew substantially in 2002. Finally, the ***Larsen*** and ***Hub*** businesses in Atlantic Canada did not perform well in the year and were substantially restructured in the second half of 2002. This involved an amalgamation of the two business units into one, concentration of primary pork processing into the Berwick plant, elimination of beef processing, and a focus on performance improvement in the Moncton plant.

Our ***Agribusiness Group*** bore the brunt of weak market conditions in 2002, with operating earnings down 19.3% from $82.8 million to $66.8 million, while sales grew by 7% to $943.9 million. ***Shur-Gain*** and ***Landmark*** both grew their leadership position and market share in the animal nutrition industry with leading edge research and outstanding customer service. The new world class feed mill in Souris, Manitoba started operating in October, commissioned on time and under budget. ***Elite Swine***, our hog production operation, grew to over 127,000 sows under management, making it the fourth largest hog production management system in North America. The business suffered from low hog prices that declined to a low of $0.96 per kilogram in September 2002, well below the cost of production. ***Rothsay***, our animal by-products recycling operation, delivered strong results based on improved markets and their success at continuing to develop new outlets for their products. One of their most recent innovations has been the conversion of animal and food by-products into bio-diesel, an alternative and environmentally sustainable fuel product. We expect to make further investments in this value-added product.

The ***Bakery Products Group*** has gone from strength to strength. Sales rose by 50.5% to $1.2 billion and operating earnings increased by 63.6% from $42.7 million to $70.0 million. While a large part of the sales growth came from acquisitions, organic growth was a healthy 13%. Wheat price and other cost increases were substantial in the year, although management was able to effect offsetting price increases late in the year. In our ***Fresh Bakery*** business, integration of the various acquisitions defined the focus of effort for the year. Marketplace successes included growth in branded market shares and new product innovations including *Dempster's Whole Grains* and *Dempster's Fresh Waffles.* Early in 2003, the product innovation focus continued with the rollout of extended shelf life technology and new packaging in the new *Dempster's Stay Fresh* line. In the ***Frozen Bakery*** business, the acquisition of ***Grace Baking*** provided a strong presence in the fast growing high-end artisan bread market. They continue to move customers up the value curve in pursuit of high bread consumption through retail, in-store bakery, and food service channels. ***Maple Leaf Bakery, U.K.*** has launched an innovative marketing campaign to drive the growth of bagel consumption in the U.K. market, and is investing in the development of other specialty bakery segments to expand their product mix and market share.

Maple Leaf is also executing an agenda to streamline our business processes, improve our performance in customer relationship management and further extend the geographic reach of our business by investing in assets outside of Canada in key strategic areas. In 1995, 4% of our assets were located outside of Canada, which has grown to 17% by 2002. We have set a medium-term goal of 25%.

We have also made significant commitments to operational excellence, with a specific focus on occupational health and safety. In 2002 we reduced the lost time accident frequency rate in our facilities by over 23%, and over the past five years we have reduced it by over 37%. Accomplishing this has been a collective victory for each and every Maple Leaf person, requiring a very substantial collaborative effort across the entire organization.

Ours is a day-to-day business. We thrive in active, fast-paced markets with many influences. Our products serve our customers' daily needs and do so with the clock of perishability ticking away. With the fundamentals in place and a direction clearly defined, success – getting it done – will be driven by our ability to execute in the marketplace one day at a time; one package at a time.

In total, the disciplined environment and clear direction of Maple Leaf Foods' leaders is focused on execution, execution, execution – Getting It Done!

J. Scott McCain

President and Chief Operating Officer, Agribusiness Group

Richard A. Lan

President and Chief Operating Officer, Bakery Products Group

Tom P. Muir

Chief Financial Officer

Financial Discipline

Over the past many years, Maple Leaf has executed a leading edge environment of financial disciplines. These include a sequence of managerial rhythms – daily, weekly, monthly, quarterly and annually – which all draw on the efficient and effective use of technology. In 2002, we rolled out an intranet portal that redefines the dissemination of information and knowledge management across the Company.

Maple Leaf is a cash generator. In 2002, we invested our operating cash flow of $195.8 million in capital expenditures of $92.2 million, acquisitions of $67.0 million, and paid out $18 million to Maple Leaf shareholders in the form of dividends. Our return on net assets of 9.2% reflects excellent progress towards our goal of 11.5%. Our balance sheet at year-end was stronger than ever with total debt declining to $579.4 million, and our Debt:EBITDA ratio falling to 1.9 times. In December, we were successful in placing US$200 million of senior debt in a private placement. This will serve to further diversify the sources of our debt financing and extend the average term of our debt.

Getting It Done

The Maple Leaf team is as strong, disciplined and forward thinking as any in the global packaged goods industry. It has been bolstered this year at the executive level when Ms. Lynda Kuhn joined us as Vice President of Public and Investor Relations. Lynda has been a remarkable addition to our leadership team, making a significant contribution in her field in very short order. Additionally, Mr. Barry McLean has joined the senior executive team as President of Canada Bread Fresh Bakeries, and Mr. Douglas MacFarlane as President of Canada Bread Frozen Bakeries. Both of these leaders are exceptional talents in their field and will drive profitable growth in their businesses.

The thousands of Maple Leaf people who deliver on their commitments every day, believe very deeply in the values we share. We play to win, always doing the right thing for the business long term. We talk straight and open, and keep a keen sense of what's going on around us. But above all, we get things done. For eight years, we have said we will move in a direction. That's exactly what we have done and will continue to do. We call this our Leadership Edge.

As owners and operators we enthusiastically commit to create shareholder value, benefiting all stakeholders – we will get it done!

Michael H. McCain

it's our competitive edge

Maple Leaf Foods' broad strategic direction is shaped by our Core 7 strategic principles. Continuously evolving, these seven principles are strongly grounded in the Maple Leaf culture and provide the guiding framework for the planning and execution of the Company's corporate and competitive strategies.

On the following pages we will illustrate in more detail how these strategic principles increase shareholder value.

it's building strong leadership

World class leadership is *the* competitive advantage that is the most difficult to replicate. Our focus is to create sustainable shareholder value – competitive edge – by developing extraordinary leadership talent throughout the organization and providing them a climate in which to flourish.

leadership EDGE

Investing in leadership pays off. That is why we are developing leadership skills throughout the organization that rank with the world's best. We start with leadership hiring, an exhaustive and highly successful screening process, and ongoing intense professional development that includes leadership education with the Richard Ivey School of Business. We foster a results-focused culture by tying compensation to shareholder interests. In fact, all granted share options do not vest unless the Company outperforms the S&P Food Index.

Staff development is a key component of management reporting, reinforced by the Chief Executive Officer, who personally reviews the performance of the top 500 people. All salaried staff are candidly assessed and raising the bar is a norm. By developing leadership talent throughout the Company, we are achieving ongoing topgrading that continuously improves our talent pool. This is what we call ***The Leadership Edge – Competitive Edge through Leadership, Leaders with Competitive Edge.***

Leadership edge core values

1. Do what's right
2. Be performance driven
3. Have a bias for action
4. Continuously improve
5. Be externally focused
6. Dare to be transparent

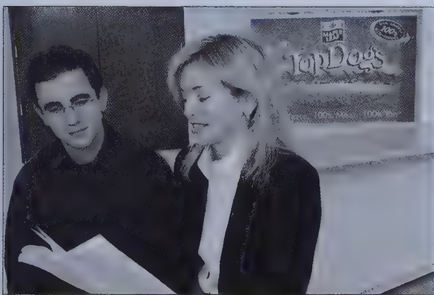
2002 Report Card

- 444 people attended Leadership programs in 2002 with 884 trained to date
- All senior sales executives and managers attended intensive sales training
- Coaching and mentoring support expanded for our top contributors

Goals

- Extend Leadership Edge reviews, including relative ranking, to include all salaried staff
- Launch "Innovation" program at the Maple Leaf Foods Leadership Academy
- Take the Leadership Edge to the front lines of the Company

it's our disciplined approach



Six Sigma adds a level of fact-based analysis and discipline to how we do business. It's a way to achieve breakthrough performance and bottom-line results through a more rigorous and profound approach to understanding and meeting customer expectations. Six Sigma is an integral part of the Maple Leaf culture.

2002 Report Card

- Six Sigma launched in 4 operating companies; now deployed in 10 operating companies
- Over 70 full-time Six Sigma Black Belts by year end
- Over 60 Six Sigma projects completed
- 340 employees attended one-week training in 2002; over 950 trained since 2000

Goals

- 150 full-time Six Sigma Black Belts by 2005
- Continue to drive Six Sigma as "how we do business"
- Integrate Six Sigma into the annual management review process

As we continue the process of becoming a Six Sigma organization, a growing number of projects and applications are demonstrating the potential in both manufacturing and non-manufacturing areas.

In 2002, the application of Six Sigma ranged from improving the formulation of our animal feeds to streamlining entire administrative processes. Six Sigma allows us to systematically model, measure, and better manage business risks in several of our operations. It enabled Maple Leaf to improve the design, administration, and analysis of customer surveys, ultimately improving the Company's customer service. Simulation tools allowed us to extrapolate from our business models and identify improvements in plant capacity, and to structure business analyses for projects such as traceability in our protein operations.

We will continue to expand Six Sigma throughout the organization to help develop and operationalize sound strategy, and to improve costs, cycle time and consistency.

Five Dimensions of Six Sigma

1. Philosophy – consistently satisfying the voice of the customer profitably
2. Metric – managing it by measuring it
3. Methodology – rigorous and fact-based problem solving
4. Tools – basic, statistical, change management, and other analytical tools
5. People – Six Sigma knowledge as a prerequisite of leaders and future leaders

it's focusing on markets

Market leadership is a key driver of success and superior financial returns. We will continue to dedicate our resources to pursuing markets and product categories where we can lead.

Maple Leaf Medallion Naturally Bacon

- Canada's largest pork processor and food exporter
- The #1 producer of branded poultry in Canada
- North America's largest producer of par-baked goods
- The #1 brand of fresh bread in Canada *(Dempster's)*
- Major supplier to the Canadian food service industry
- The leading bagel manufacturer in the U.K.
- A world leader in animal nutrition research and feed production

Our Protein Value Chain, from "farm to fork", is a powerful mechanism for driving innovation. In 2002, we launched *Maple Leaf Medallion Naturally*, a premium line of products, produced from all vegetable grain-fed pork. From our investment in our world class Brandon pork processing plant, to building a new world class feed mill, we are continuously developing infrastructure to consolidate our market position and strengthen our Vertical Coordination loop from raw material to finished product.

Our Bakery Products Group represents our other key business focus. In 2002, we completed the sale of Maple Leaf Bakeries to Canada Bread, creating an integrated global bakery operation, and a platform for greater efficiencies and market expansion in both the fresh and frozen par-baked businesses.

2002 Report Card

- Completed Canada Bread / Maple Leaf Bakeries transaction
- Increased market share in key processed meat categories
- Acquired Grace Baking Company, a leading artisan bread producer
- Increased market share of chilled pork to Japan

Goals

- Grow market leadership in Fresh and Frozen bakery products
- New product innovation in the poultry business
- Expand our pre-cooked protein products and markets
- Increase hog finishing barn capacity

it's all in the brand

Developing brand equity is key to building corporate reputation and creating value for all our stakeholders. Consistent delivery against the expectations behind our brands is fundamental to growing brand equity and requires alignment along all links in the production chain to meet the rigorous standards we set for all of our products.

2002 Report Card

- Completed consumer research to identify key priorities
- Established cross-company execution teams to support brand strategy
- Communicated our brand strategy to employees, suppliers and customers
- Developed and launched first phase of "We Take Care™"

Goals

- Continue to increase employee awareness and accountability regarding food safety
- Utilize the discipline of Six Sigma to achieve continued improvement
- Benefit our customers by elevating consumer confidence in product integrity
- Build brand equity through leadership in food safety innovation

TopDogs MegaBites

Maple Leaf "We Take Care™"

At Maple Leaf, we believe consumers have a right to be confident in the safety of the food they purchase. As a leading Canadian food company, we're committed to safeguarding the quality and integrity of our products and continuously improving the level of food safety assurance we provide. Through this commitment we will continuously build and safeguard our brand equity.

Based on consumer research undertaken in 2002, Maple Leaf Foods launched a "master brand" strategy for all *Maple Leaf* brand products based on delivering the highest level of food safety assurance. The new "We Take Care™" positioning statement reinforces with consumers our commitment to quality behind all *Maple Leaf* brand products.

Our Maple Leaf "Three P's of Food Safety"

1. Prevention – Establish continuous improvement in food safety assurance through due diligence, investment and employee training
2. Preparedness – Be fully prepared to respond rapidly and comprehensively in the event of a food safety incident and in all cases place consumers' interests first
3. Proof – Establish Maple Leaf Foods as a global leader in food safety through processing, technology and product innovation

it's creating customer value

"Quality" *is a state of realized value expectations.* We strive to deliver quality and value to our customers by providing consistent superior quality products, flawless service, and tailoring our products and services to meet their needs.

"Voice of the Customer" is a mantra at Maple Leaf. As a major food processor our customers look to us to track consumer trends, lead in new product innovation, and raise standards to increase consumer confidence in the quality and integrity of food products.

Delivering customer value means orienting the entire organization to think outwardly, and continuously challenging ourselves to help our customers achieve extraordinary results. Six Sigma provides us valuable tools to clearly define and measure customer needs. In 2002, Maple Leaf Consumer Foods completed a comprehensive review of its sales strategy. The results have enabled us to critically review, customize and monitor the effectiveness of our sales activities, and tailor services to create customer value.

In our bakery operations, we provide customers with valuable insights on consumer trends and purchasing decisions and tailor in-store category management to meet local consumer demands, drive customer loyalty and create a significant point of differentiation.

Par-baked Products

2002 Report Card

- Launched sales effectiveness training at Maple Leaf Leadership Academy
- Improved efficiency of in-store cooking process of whole chickens for a major customer, resulting in reduced cooking time, and increased quality and sales
- Delivered orders to Japan without disruption despite major West Coast dock strike

Goals

- Develop strategic partnerships with key retail and food service customers
- Establish single point of contact organizational structure for food service customers
- Drive consumer purchasing through innovative product development
- Extend Six Sigma insights and knowledge to benefit our customers

it's efficient operations

Building competitive advantage requires us to be the most efficient at producing the highest quality products. It is a driving principle behind our high performance culture. We will achieve lowest cost producer status by investing in world class assets that are well positioned with least cost inputs, and operating to a Six Sigma level of performance.

2002 Report Card

- Expanded sow and hog finishing barn capacity in Western Canada and Ontario
- Realigned pork and processed meat operations in Atlantic Canada
- Achieved a 3.3% reduction in energy consumption per unit of production
- Expanded our fully-cooked poultry line at Brantford, Ontario

Goals

- Proceed with permitting to support production expansion at Brandon pork plant
- Integrate the Fresh Bread operations across Canada
- Expand processing capacity and optimize efficiencies in our feed business

Our continued focus on being the lowest cost producer has resulted in significant innovation and development of world class processing facilities. Our Brandon, Manitoba pork processing plant, commissioned in 2000, reached full single shift capacity in 2002, processing an average of 45,000 hogs per week. Our procurement and plant operations teams were key to this success, supported by significant strides in building our value-added industrial and commercial sales. Our primary plants in Brandon and Burlington, Ontario firmly establish Maple Leaf as the leading pork processor in Canada. Driven by the rallying cry of *"To The Right"* we are continuing the shift to value-added processing and building strong customer relationships.

Employing Six Sigma methodology, our plant in Winnipeg, Manitoba conducted a comprehensive analysis of its ham business, including markets, processing and consumer requirements. Resulting changes to the ham boning process significantly reduced waste, generating approximately $1.4 million in annualized savings.

At our bakery operations, a new par-baked line was installed at our Roanoke, Virginia plant to form and produce par-baked products. At 5,000 pieces per hour, this is one of the most productive baguette lines in the world. A second line will be installed in 2003, dedicated to meeting a 10-year supply agreement with a national food service customer.

Our recently commissioned feed mill in Souris, Manitoba produces customized feed products with an emphasis on quality and food safety assurance.

it's about innovation

Innovation is an integral part of the Maple Leaf culture. As a leader in the food processing industry, our customers look to us to develop innovative products and services that drive performance and respond to consumer demand for convenient, high quality and nutritious food.

"Bio-diesel Bus"
Bio-diesel pilot project with the Montreal Transit Authority supports environmental sustainability

We are ramping up our innovation pipeline. Recognizing the demand for alternative protein products, we recently launched *Nature's Gourmet*, combining soya protein with our fresh pasta products to create a line of six, delicious frozen meal entrées.

Through the development of DNA fingerprinting, Maple Leaf Foods is also taking a leadership role in food safety and traceability. This project will ultimately allow tracking of any meat product back to the farm where it originated. The same system will show the genes that give consistently better quality pork.

Innovative technology is also helping our hog production operations. Using global positioning satellite technology, we can scientifically track the quantity, location and chemistry of nutrients applied to the soil. The benefit to the farmer, the producer and the environment is significant.

Nature's Gourmet
frozen entrées

2002 Report Card

- Launched bio-diesel pilot project with alternate fuel made from animal by-products
- Developed hog genetics and nutrition strategy
- Launched *Olivieri* dips and spreads
- Launched *Nature's Gourmet* frozen entrées

Goals

- Complete Phase I of traceability project
- Increase "Freezer to Oven" par-baked consumer products
- Expand Extended Shelf Life and artisan bread products
- Launch further pre-cooked meal entrée solutions

it's continuous improvement

Superior execution is the key to producing great results. As a high performance organization, we constantly strive to realize improvements in everything we do. Six Sigma provides us the tools to rigorously benchmark our products, processes and business processes, and further raise the bar.

2002 Report Card

- Conducted environmental awareness training with all plant supervisors
- 23% reduction in workplace injuries in 2002 and 37% reduction over five years
- Delivered more than 25,000 containers of product on-time to over 100 countries

Goals

- Expand Cost of Production contracts with pork producers to increase our supply of high quality pork
- Upgrade Information Systems infrastructure to support business strategies
- Complete scheduled environmental upgrades at Rothsay

At Maple Leaf Poultry, a project was undertaken for a major customer to preserve the freshness of their *Maple Leaf Prime Naturally* ground chicken product. The result – we doubled the product shelf life, while increasing quality and food safety assurance.

Through researching nutrient additives in piglet feed starters, Landmark Feeds developed a more efficient feed formula, delivering the same nutrient value and performance at a reduced cost for our producer partners. Through 17 ongoing Six Sigma projects, Landmark continues to streamline manufacturing processes.

Responding to heightened security requirements, Maple Leaf Foods was the first Canadian company to receive "Fast Lane" approval from U.S. Customs, expediting our cross-border shipments. We are continuing to enhance security measures by defining and enforcing increased standards across our plants.

Supported by our first ever promotion tied to a major motion picture license, the team at Maple Leaf Consumer Foods established *Maple Leaf TopDogs* as the fastest growing hot dog brand in Canada. The summer of 2002 saw *Maple Leaf TopDogs* team up with Scooby Doo – the movie, followed by a Spider-Man promotion timed with its record breaking home video movie release.

Maple Leaf
Prime Naturally Chicken Breasts

it's global thinking

Maple Leaf Foods exports to over 100 countries including Japan, United States, Hong Kong, China, Mexico and the United Kingdom. We "Think Global" by fully understanding world trends and their impact on our business, regardless of the nature of the business – local, national or global – in order to access best practices and remain highly competitive.

Maple Leaf Pork to Japan

Our goal is to become a global food company by taking measured incremental steps to expand our trade and asset base outside of Canada. We minimize risk by building trade relationships, establishing a strong local customer base and assessing long-term market demand before investing in local production facilities. This was the evolutionary process that led to the establishment of Maple Leaf Bakery, U.K., providing a platform for product expansion in the U.K. and geographic expansion into Europe.

Japan is a significant trading partner with Maple Leaf Foods, supported by relationships dating back more than 75 years. In 2002, we increased exports of chilled pork and initiated the sale of pre-cooked meat products for our Japanese customers. Through our emphasis on quality and service, we will continue to meet the needs of this demanding market.

2002 Report Card

- Continued growth in global pork markets
- Grew U.K. bagel business and expanded into other product lines
- Increased sale of ready-to-eat poultry products into Europe

Goals

- Identify other processed meat opportunities in Japan
- Expand bread products sales in Europe
- Roll out enhanced on-line logistics and documentation system
- Identify beachhead opportunities in China

it's what you want to know

How exposed is Maple Leaf to commodity price fluctuations?

Like all manufacturing or processing companies, we are impacted by raw material price fluctuations. However, our history reflects that these price fluctuations have only had a marginal impact, either positive or negative. Since 1995, we have only experienced one quarter-over-quarter decline in earnings due to negative commodity markets (Q4 2002). We continue to reduce our exposure to commodity pricing through value-added processing, improving our sales mix and through our Vertical Coordination strategy across the Protein Value Chain.

What is Vertical Coordination and how does this benefit Maple Leaf Foods?

Our Vertical Coordination strategy coordinates the activities of all the operations within the Protein Value Chain – farm, feed, processing and rendering. We do not seek to own 100% of production but rather to develop business partnerships with independent farm operators, who achieve superior production efficiencies. This approach best aligns each component of the Protein Value Chain, from genetics and animal nutrition through to processing, supports independent farmers, and allows us to achieve an optimal exposure to underlying commodity prices.

Why are you in both the meat and bakery businesses?

Our strategy is to establish a balanced portfolio of businesses to achieve low volatility yet high earnings growth. Being in a number of food businesses across the pork and poultry value chain and bakery means that when markets are unfavourable in one sector, this is often balanced by stronger performance in our other operations.

What role do acquisitions play in your growth strategy?

Maple Leaf Foods is an industry consolidator in both the Protein Value Chain and bakery sectors. From 1995 to 2001 the most significant acquisition activity was on the meat and agribusiness side of the business, while in late 2001 and 2002 most of the activity was on the bakery side. Over the long term, we expect to grow 50% through acquisitions and the balance through internal growth. We have a strong track record of realizing the benefits of acquisitions, as we focus on fully integrating new companies, from culture to systems to operations.

What is your biggest opportunity in 2003?

Driving the organization to achieve the benefits of all the systems and processes we have worked so hard to establish. We have made huge strides in "top grading" management throughout the Company, establishing a Six Sigma culture, and focusing our operations on value-added processing, product innovation and branding. We've got world class infrastructure. It's really a matter of taking all these activities to the next level through focus and channeling our collective energy.

What are your greatest risks in 2003?

Our business is constantly changing and we are continually innovating to meet new challenges and capitalize on new markets. Two of the more challenging risks we are constantly monitoring are global animal health concerns, and trade issues. These issues are less within our control and therefore represent greater potential risk. In response, we maintain the highest standards of animal health, risk management and preparedness, and produce the highest quality, most desirable food products to build global demand.

How exposed is MLF to global factors such as trade barriers?

In 2002, approximately 36% of our revenue was generated from sales outside Canada, representing both products produced in Canada and products originating from other countries. Maple Leaf has been a global trader and marketer of food products for over 75 years. We have a highly experienced international management team who help us predict and manage the impact of changes in global markets. In 2002 we successfully managed the introduction of a Japanese trade tariff as well as a U.S. West Coast dock strike with minimal disruption to our business. We were also the first Canadian company to receive "Fast Lane" approval from U.S. Customs, expediting our cross-border shipments.

What level of new product innovation can we expect?

Innovation is one of our seven key growth drivers and new product development is a key component of how we measure our success. It is also an area where our customers expect us to take a leadership role. We see significant opportunity to capture additional markets and expand margins through continuing our laser-like focus on adding value and brand equity to our pork and poultry products and expanding our portfolio of ready-to-eat meal solutions.

Financial Statements

Sales grew by 6.3% to $5.1 billion

Earnings from operations increased by 16%* to $203.6 million

EBITDA increased 14.1% to $305.1 million

Earnings per share grew 9.2% to $0.71

Return on net assets grew by 1.6 percentage points to 9.2%

* Refer to note on Page 2

Management's discussion and analysis

Overview

The following is a discussion of the results of the Company for the year ended December 31, 2002.

In accordance with changes in generally accepted accounting principles, effective January 1, 2002, the Company no longer amortizes goodwill, resulting in a positive impact on 2002 reported earnings. The effect of this is explained more fully in Note 2(g) to the Company's Financial Statements. All comparative percentage increases (decreases) noted herein are after taking account of this change. Earnings from operations for 2001 have been presented on a pro forma basis in Note 19 to the Consolidated Financial Statements to reflect the effect of this change and to allow more consistent comparatives by business group. During 2002, the Company completed the transitional goodwill impairment test for all reporting units in accordance with the generally accepted accounting principles. The results of this test have indicated there is no impairment to the book value of goodwill.

Sales for the year increased 6% to $5.1 billion from $4.8 billion in 2001, mainly due to acquisitions. Earnings from operations for the year were $203.6 million, compared to $157.5 million last year ($167.9 million before goodwill amortization). Included in operating earnings in the fourth quarter is an $8.6 million pre-tax gain ($5.5 million after tax) related to the wind-up of a defined benefit pension plan for hourly employees pursuant to a surplus sharing agreement with the plan's beneficiaries. After adjusting for this $8.6 million pension gain, operating earnings increased 16% from last year. All of the gain is included in the results for the Meat Products Group. The Company anticipates that additional accounting gains of about $6.5 million before tax will be realized in 2003 and also anticipates receiving about $25 million in cash in 2003 as its portion of the plan surplus distribution. Net earnings for the year increased 27% to $84.7 million ($0.71 per share) compared to $57.4 million ($0.55 per share) in 2001 ($66.8 million or $0.65 per share before goodwill amortization).

During the year, the Company invested $157.2 million in capital assets and acquisitions, compared to $238.1 million in 2001. Of this, $92.2 million ($86.8 million in 2001) represented investments in capital assets. Management expects that the level of investment in capital assets will fluctuate in the range of $100 million to $120 million, and that the Company will continue to make acquisitions as opportunities arise.

Net interest expense in 2002 was $56.3 million compared with $64.4 million in 2001 due primarily to lower average debt levels. The Company's average effective cost of borrowing for 2002 was 6.7% (2001 – 6.7%). (See Notes 7 and 8 to the Consolidated Financial Statements.)

The effective tax rate was 36.0% in 2002 (2001 – 37.7%). The Company's tax rate is discussed in Note 15 to the Consolidated Financial Statements.

Results of Operations

Meat Products Group

The Meat Products Group includes the Company's meat and meat-related businesses, comprising the fresh pork, prepared meats, poultry and international food trading operations.

The Meat Products Group's sales were $3.0 billion in 2002 compared to $3.1 billion in 2001. During the second half of 2002, prices for meat products declined across the industry due to lower raw material input prices, reducing dollar value per unit sales, although actual tonnage volume increased. Earnings from operations increased 58% to $66.8 million compared to $38.1 million in 2001 ($42.4 million before goodwill amortization). After adjusting for the pension gain of $8.6 million referred to above, operating earnings increased by 37% from last year. Maple Leaf Consumer Foods, Maple Leaf Foods International and Maple Leaf Pork all reported stronger earnings in 2002 compared to 2001. Maple Leaf Pork significantly improved operations and profitability in 2002, with both the Brandon and Burlington plants operating at full single shift capacity, increased processing efficiencies and an improved sales mix built on consistent quality, value-added processing and strengthened customer relationships. This resulted in an

increase in earnings, although pork processor margins across the industry were lower than last year.

Maple Leaf Consumer Foods' profitability increased year-over-year, based on strong brand identity, superior customer service, and strong sales of *Maple Leaf TopDogs*, Canada's fastest growing brand of hot dogs.

Maple Leaf Foods International increased earnings significantly in 2002 primarily due to increased volume and higher margins that the Company was able to achieve in the Japanese pork markets.

Earnings decreased in the Maple Leaf Poultry operations, the result of industry wide margin pressure due to a surplus in supply and lower prices. Maple Leaf Poultry was able to lessen the impact of these negative markets due to the brand strength of *Maple Leaf Prime Naturally* chicken. In the fourth quarter, Maple Leaf Poultry results improved year-over-year as industry margin pressures partially abated.

Agribusiness Group

The Agribusiness Group includes the Company's feed and pet food businesses, the Rothsay rendering business, and swine production, poultry growing and poultry hatching businesses.

Agribusiness Group sales increased by 7% to $944 million compared with $879 million in 2001. Earnings from operations were $66.8 million, a decrease from $81.5 million in 2001 ($82.8 million before goodwill amortization).

The decrease in profitability was primarily due to lower hog prices and rising grain prices, which impacted the Group's interest in hog production operations. However, the Company's Vertical Coordination strategy offset this impact with increased profitability at the Maple Leaf Pork and Maple Leaf Consumer Foods operations. Earnings in the feed business declined slightly due to unsettled spring weather and a slowdown in feeding rates, but increased grain costs had no material impact on the profitability of the Company's feed operations. Rothsay's earnings improved from last year as market prices strengthened.

During the year, Landmark Feeds completed construction of a new feed mill in Souris, Manitoba. With a processing capacity of 250,000 tonnes annually, this mill plays a vital role in supporting the expansion of the Company's hog management operations in Western Canada.

Bakery Products Group

The Bakery Products Group is comprised of the Company's 68.3% interest in Canada Bread Company, Limited ("Canada Bread") and, prior to December 27, 2002, Maple Leaf Bakeries, U.S.A. and Maple Leaf Bakery, U.K. The ownership interest in Canada Bread was increased to 73.3% in January 2003.

The Bakery Products Group's sales increased 50% to $1.2 billion in 2002 compared with $784 million in 2001. Earnings from operations increased 64% to $69.9 million, compared with $37.9 million in 2001 ($42.7 million before goodwill amortization). Excluding the effect of acquisitions, sales for the year increased by 13%. Fresh Bakery earnings improved significantly year-over-year as a result of improved margins, continued cost reductions and a strong contribution from Multi-Marques, acquired in late 2001. Frozen Bakery sales in both Canada and the U.S. grew significantly, resulting in improvements in earnings from last year. In its first full year of ownership, the Maple Leaf Bakery, U.K. operations contributed strongly to the Group, reflecting both sales and margin growth.

Early in the fourth quarter, earnings were adversely affected by an increase in wheat prices and other commodity market changes, although the cost increases were mitigated by price increases by the end of the year.

In 2001, Canada Bread acquired the remaining 75% interest in Multi-Marques Inc., to hold 100% and in April 2002, Canada Bread acquired the remaining 40% of the shares of Ben's Limited in Atlantic Canada.

In July 2002, Canada Bread acquired all of the outstanding shares of Olafson's Baking Company Inc. of Delta, British Columbia. The initial purchase price was $11.5 million. Additional consideration, up to a maximum of $11.0 million, may be payable depending

on the attainment of certain financial targets, up until February 28, 2004.

In 2002, Maple Leaf acquired the shares of Grace Baking Company of San Francisco, California. Grace Baking is a leading U.S. producer of premium fresh and frozen artisan bread products.

In December 2002, Canada Bread purchased all of Maple Leaf Foods' U.S. and U.K. bakery operations, including Grace Baking Company, for approximately $262 million, inclusive of debt assumption. Fully integrating these organizations will enhance growth opportunities and transform Canada Bread from a Canadian baking company to a global baking company with significant capabilities across fresh, par-baked and artisan bread product lines.

Details of assets and liabilities acquired in these acquisitions are set out in Note 17 to the Consolidated Financial Statements.

Other Income

Other income for the year of $5.4 million compared to $10.6 million last year. The decrease relates primarily to $3.4 million in transaction costs related to the purchase of Maple Leaf Foods bakery assets by Canada Bread that were expensed in the fourth quarter of 2002. Further details are provided in Note 13 to the Consolidated Financial Statements.

Cash Flows

Cash flow from operating activities of $195.8 million represented a decrease from $226.2 million last year. Non-cash operating working capital declined in both years contributing to cash flow from operations. However, the decline in 2002 ($1.0 million) was less than the decline in 2001 ($37.8 million) and this was the principal reason for the lower total cash flow in 2002.

Capital Resources and Liquidity

Maple Leaf Foods finances its operations primarily out of cash flow from operations. In addition, to provide it with further liquidity, the Company and its subsidiaries and joint-venture businesses maintained credit facilities with major Canadian and foreign banks. Details of these facilities are provided in Note 7 to the Consolidated Financial Statements.

In addition to bank credit facilities, the Company raises capital in the bond market by way of private debt placements. The total amount outstanding related to such issues was $538.4 million at December 2002. This amount was raised under two separate transactions completed in December 2002 ($312.6 million) and April 2000 ($225.8 million). In December 2002, Maple Leaf Foods issued U.S. $140 million 7-year notes and U.S. $60 million 5-year notes, maturing in December 2009 and 2007, respectively. These unsecured notes were issued to a group of U.S. institutional investors. In April 2000, the Company issued $225.8 million Canadian equivalent of 10-year notes to a group of Canadian and U.S. investors. These notes are due in 2010.

The Company has $91.3 million of 6% convertible debentures outstanding at December 31, 2001. These debentures mature on December 31, 2005. The Company has the option to satisfy payment of principal and interest by the issuance of shares and accordingly, the debentures are required to be treated as equity for accounting purposes.

Management is of the opinion that its cash flow and sources of financing provide the Company with sufficient resources to finance ongoing business requirements and its planned capital expenditure program. Additional details concerning financing are set out in the Notes to the Consolidated Financial Statements.

Risk Management

The Company has financial risk exposure to varying degrees relating to interest rates, foreign exchange and commodity pricing (including wheat, feed grains and livestock). When considered appropriate, these exposures may be managed by the use of derivative financial instruments, including interest rate swaps, currency contracts, commodity futures and forward purchase or sale contracts. Information on the Company's material year-end derivative hedge positions is set out in Note 8 to the Consolidated Financial Statements.

In common with most businesses, the Company faces a certain degree of credit risk arising from sales of products on credit terms to customers. To manage credit risk, credit limits and terms of sale are established and monitored on a regular basis. For most of its foreign sales and exports, the Company has a policy of entering into export insurance to cover foreign receivables where available, or if not, selling on the strength of confirmed trade letters of credit.

Change in Accounting Policies

These are set out in Note 2(m) to the Consolidated Financial Statements.

Environment

Maple Leaf Foods is conscious of its environmental responsibilities. Each of its businesses operates within the framework of an environmental policy, "Our Environmental Commitment," which was updated in 2002 and is approved by the Board of Directors' Environment, Health and Safety Committee. The Company's environmental program is monitored on a regular basis by the Environment, Health and Safety Committee, with compliance with regulatory requirements specifically monitored by internal environmental specialists and independent, external environmental analyses. The Company continues to invest in environmental infrastructure related to water, waste and air emissions to ensure that environmental standards continue to be met, while implementing procedures to minimize the impact of operations on the environment. Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company.

Quarterly Financial Information

The following is a summary of unaudited quarterly financial information for the years ended December 31, 2002 and 2001 (millions of dollars except per share amounts). In accordance with changes in generally accepted accounting principles, effective January 1, 2002, the Company no longer amortizes goodwill, resulting in a positive impact on 2002 reported earnings. The 2001 numbers in this table have been re-stated to take into account this change.

2002	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
Sales	$ 1,223	$ 1,280	$ 1,269	$ 1,304	$ 5,076
Net earnings	17	23	19	26	85
Net earnings per share	$ 0.14	$ 0.19	$ 0.16	$ 0.22	$ 0.71

2001	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
Sales	$ 1,055	$ 1,224	$ 1,198	$ 1,298	$ 4,775
Pro forma net earnings	12	15	13	27	67
Pro forma net earnings per share	$ 0.11	$ 0.15	$ 0.12	$ 0.27	$ 0.65

Management's statement of responsibility

Management recognizes its responsibility for conducting the Company's affairs in the best interests of all its shareholders. The consolidated financial statements and related information in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which involve the use of judgement and estimates in applying the accounting principles selected. Other financial information in the annual report is consistent with that in the consolidated financial statements.

The Company maintains systems of internal controls, which are designed to provide reasonable assurance that accounting records are reliable and to safeguard the Company's assets. The Company's independent auditors, KPMG LLP, Chartered Accountants, have audited and reported on the Company's consolidated financial statements. Their opinion is based upon audits conducted by them in accordance with Canadian generally accepted auditing standards to obtain reasonable assurance that the consolidated financial statements are free of material misstatement.

The Audit Committee of the Board of Directors, all of whom are independent of the Company or any of its affiliates, meets periodically with the independent external auditors, the internal auditors and management representatives to review the internal accounting controls, the consolidated quarterly and annual financial statements and other financial reporting matters. Both the internal and independent external auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings and makes recommendations to the Board of Directors.

M.H. McCain
President and Chief Executive Officer

T. Muir

T.P. Muir
Chief Financial Officer

M.H. Vels
Executive Vice-President, Finance

Auditors' report to the shareholders

We have audited the consolidated balance sheets of Maple Leaf Foods Inc. as at December 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Toronto, Canada

February 13, 2003

Consolidated Balance Sheets

(In thousands of Canadian dollars)

As at December 31	2002	2001
ASSETS		
Current assets		
Cash	$ 156,866	$ 52,611
Accounts receivable (note 3)	243,121	248,064
Inventories (note 4)	266,889	231,918
Prepaid expenses and other assets	14,806	14,725
	681,682	547,318
Investments in associated companies	59,497	58,303
Property and equipment (note 5)	785,425	795,932
Other long-term assets (note 6)	159,910	161,961
Future tax asset (note 15)	21,733	14,602
Goodwill	481,000	402,636
	$ 2,189,247	$ 1,980,752
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued charges	$ 532,132	$ 488,226
Income and other taxes payable	42,283	34,573
Current portion of long-term debt (note 7)	22,588	23,556
	597,003	546,355
Long-term debt (note 7)	713,689	627,890
Future tax liability (note 15)	46,453	51,417
Other long-term liabilities	6,981	7,315
Minority interest	93,220	88,059
Shareholders' equity (note 9)	731,901	659,716
	$ 2,189,247	$ 1,980,752

Contingencies and commitments (note 18)

Subsequent event (note 20)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

M.H. McCain
Director

Robert W. Hiller
Director

Consolidated Statements of Earnings

(In thousands of Canadian dollars, except per share amounts)

Years ended December 31		2002		2001
Sales	$	5,075,879	$	4,775,358
Earnings from operations	$	203,550	$	157,503
Other income (note 13)		5,355		10,638
Earnings before interest and taxes		208,905		168,141
Interest expense (note 14)		56,289		64,437
Earnings before income taxes		152,616		103,704
Income taxes (note 15)		54,947		39,116
Earnings before minority interest		97,669		64,588
Minority interest		12,983		7,149
Net earnings	$	84,686	$	57,439
Basic and diluted earnings per share (note 12)	$	0.71	$	0.55
Weighted average number of shares (millions)		112.5		95.9

Consolidated Statements of Retained Earnings

(In thousands of Canadian dollars)

Years ended December 31		2002		2001
Retained earnings (deficit) beginning of year:				
As previously reported	$	3,310	$	(32,889)
Adjustment to reflect change in accounting for foreign currency translation (note 2(b))		(1,493)		—
As restated		1,817		(32,889)
Net earnings		84,686		57,439
Dividends declared ($0.16 per share; 2001 – $0.16 per share)		(18,035)		(15,889)
Premium on repurchase of share capital (note 9)		—		(811)
Convertible debenture charge (note 10)		(4,710)		(4,540)
Retained earnings, end of year	$	63,758	$	3,310

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Years ended December 31	2002	2001
CASH PROVIDED BY (USED IN)		
Operating activities		
Net earnings	$ 84,686	$ 57,439
Add (deduct) items not affecting cash		
Depreciation	96,212	88,369
Amortization	—	10,895
Minority interest	12,983	7,149
Future income taxes	(8,215)	6,876
Increase in pension asset	(18,910)	(11,572)
Undistributed earnings of associated companies	1,453	2,311
Gain on sale of property and equipment	(14)	(154)
Gain on sale of investments	(1,340)	(2,502)
Other	10,390	10,598
Change in other long-term receivables	17,560	19,021
Change in non-cash operating working capital	1,014	37,807
	195,819	226,237
Financing activities		
Dividends paid	(18,035)	(15,889)
Dividends paid to minority interest	(2,770)	(1,777)
Decrease in long-term debt	(229,572)	(206,440)
Increase in long-term debt	312,563	121,000
Convertible debenture interest paid	(5,478)	(5,478)
Increase in share capital	8,079	172,524
Shares repurchased for cancellation	—	(1,511)
Other	819	1,807
	65,606	64,236
Investing activities		
Additions to property and equipment	(92,160)	(86,763)
Proceeds from sale of property and equipment	5,306	8,515
Purchase of net assets of businesses, net of cash acquired (note 17)	(66,967)	(158,228)
Change in other investments, net	(1,307)	(1,587)
Other	(2,042)	—
	(157,170)	(238,063)
Increase in cash and cash equivalents	104,255	52,410
Cash and cash equivalents, beginning of year	52,611	201
Cash and cash equivalents, end of year	$ 156,866	$ 52,611
Supplemental cash flow information:		
Net interest paid	$ 55,540	$ 62,972
Net income taxes paid	54,567	10,088

See accompanying notes to consolidated financial statements.

Notes to the consolidated financial statements

Years ended December 31, 2002 and 2001 (Tabular amounts in thousands of Canadian dollars, except share amounts)

1. **The Company**

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a leading Canadian-based food processing company, serving wholesale, retail, food service, industrial and agricultural customers across North America and internationally. The Company's results are organized into three segments: Meat Products Group, Bakery Products Group, and Agribusiness Group.

2. **Significant accounting policies**

The following are the significant accounting policies of the Company. The preparation of periodic financial statements necessarily involves the use of estimates and approximations. Should the underlying assumptions change, the actual amounts could differ from those estimates.

(a) **Principles of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries and the Company's proportionate share of the assets, liabilities, revenue and expenses of joint ventures over which the Company exercises joint control. Investments in associated companies, over which the Company exercises significant influence, are accounted for by the equity method.

(b) **Translation of foreign currencies**

The accounts of foreign subsidiaries, associated companies and joint ventures are translated into Canadian dollars using the exchange rate in effect at the year end for assets and liabilities and the average exchange rates for the year for revenue and expenses. Exchange gains or losses on translation are deferred and included as a separate component in shareholders' equity until realized.

Other monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Exchange gains and losses are recognized in current earnings. A revision to section 1650 of The Canadian Institute of Chartered Accountants ("CICA") Handbook eliminated deferral and amortization of foreign currency translation differences resulting from the translation of long-term monetary assets and liabilities denominated in foreign currencies. All such translation differences are now charged directly to income. The Company adopted the revision retroactively, effective January 1, 2002, without restating the financial statements of any prior period. Application of the revised recommendation would not have materially affected net earnings reported in 2001. In total, the adoption of the standard results in a cumulative reduction to retained earnings at January 1, 2002 of $1.5 million.

Where the Company enters into forward exchange contracts to hedge the principal and interest on related debt payable in foreign currencies, unrealized losses or gains on such contracts are matched with exchange gains or losses on the debt payable.

(c) **Hedging arrangements**

The Company enters into hedging arrangements to manage its exposure to currency, commodity price and interest rate fluctuations. The gains and losses on these hedging instruments are recognized in the consolidated financial statements in the same period and are matched with the same financial statement category as the item to which the hedged position relates. Any accrued amounts receivable and payable under the terms of such contracts are included in accounts receivable and accounts payable, respectively.

The Company designates certain of its U.S. dollar borrowings as a hedge of its net investment in its U.S.-based businesses. Any exchange gain or loss on such designated borrowings are offset against the unrealized exchange gain or loss arising on translation of the U.S. dollar financial statements of these businesses and is included in the unrealized foreign currency adjustment account in shareholders' equity.

(d) **Inventories**

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis.

(e) **Property and equipment**

Property and equipment are recorded at cost including, where applicable, interest capitalized during the construction or development period.

Depreciation is calculated using the straight-line basis at the following rates, which are based on the expected useful lives of the assets:

Buildings	$2^1/_2$% to 6%
Machinery and equipment	10% to 33%

(f) **Deferred financing costs**
Costs incurred to obtain long-term debt financing are amortized over the term of such debt and are included in interest expense for the year.

(g) **Goodwill**
The excess of the purchase price over the estimated fair value of identifiable net assets acquired represents goodwill. Goodwill was amortized on a straight-line basis over periods ranging from 10 to 40 years for 2001. In September 2001, CICA issued Handbook Sections 1581, "Business Combinations", and 3062, "Goodwill and Other Intangible Assets". The new standards required the purchase method of accounting for business combinations and required that goodwill no longer be amortized but instead be tested for impairment at least annually. The Company has adopted these new standards as of January 1, 2002 and has discontinued amortization of all existing goodwill. Goodwill arising on business combinations completed after June 30, 2001 was not amortized.

Effective January 1, 2002, the Company had unamortized goodwill of $402.6 million which is no longer being amortized. This change in accounting policy has not been applied retroactively and the amounts presented for prior periods have not been restated for this change. To enable consistent comparison to prior periods, the following selected pro forma financial information is provided for 2001, assuming no goodwill amortization for 2001:

	2002	2001
Earnings from operations as reported	$ 203,550	$ 157,503
Add back goodwill amortization	—	10,412
Pro forma earnings from operations	$ 203,550	$ 167,915
Pro forma net earnings	$ 84,686	$ 66,846
Earnings per share as reported (basic and diluted)	$ 0.71	$ 0.55
Pro forma earnings per share (basic and diluted)	$ 0.71	$ 0.65

(h) **Income taxes**
The Company uses the asset and liability method of accounting for income taxes. Accordingly, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment or substantive enactment date.

(i) **Employee benefit plans**
The Company accrues obligations under employee benefit plans and the related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

(j) **Stock-based compensation**
The Company has stock option plans for employees. No compensation expense is recognized on the issue of options under stock option plans. Consideration paid by employees on the exercise of stock options is recorded as share capital. The stock option plans are as described in note 11.

Effective January 1, 2002, the Company adopted the new CICA Handbook Section 3870, which requires that a fair value based method of accounting be applied to certain types of stock options. The new standard allows that for stock option awards such as those awarded by the Company, the effect on reported net earnings be disclosed on a pro forma basis in the notes to the financial statements (note 11) as if the Company had accounted for these stock option awards under the fair value method.

(k) **Statement of cash flows**
Cash and cash equivalents are defined as cash and short-term securities with maturities less

than 90 days at the date of acquisition, less bank indebtedness.

(l) **Comparative figures**
Certain 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2002.

(m) **Recently issued accounting pronouncements**

(i) **Impairment of Long-Lived Assets**
In December 2002, the CICA issued Handbook Section 3063, "Impairment of Long-Lived Assets", and revised Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations". Section 3063 requires that an impairment loss be recognized when the carrying amount of an asset to be held for use exceeds the sum of the undiscounted cash flows expected from its use and disposal; the impairment loss recognized is the amount by which the carrying amount of the asset exceeds its fair value. Section 3475 requires that assets classified as held-for-sale be measured at the lower of their carrying amounts or fair value, less costs to sell. The Company intends to adopt these standards as of January 1, 2003.

(ii) **Hedging Relationships**
Accounting Guideline 13, Hedging Relationships, establishes new criteria for hedge accounting and will apply to all hedging relationships in effect on or after January 1, 2004. On January 1, 2004, the Company will re-assess all hedging relationships to determine whether the criteria are met or not and will apply the new guidance on a prospective basis. To qualify for hedge accounting, the hedging relationship must be appropriately documented at the inception of the hedge and there must be reasonable assurance, both at the inception and throughout the term of the hedge, that the hedging relationship will be effective. Effectiveness requires a high correlation of changes in fair values or cash flows between the hedged item and the hedging item. The Company is in the process of formally documenting all hedging relationships and has not yet determined whether any of its current hedging relationships will not meet the new hedging criteria.

3. Accounts receivable

Under revolving securitization programs, the Company has sold, with limited recourse, certain of its trade accounts receivable to financial institutions. The Company retains servicing responsibilities and assumes limited recourse obligation for delinquent receivables. At year end, trade accounts receivable amounting to $194.6 million (2001 – $163.4 million) had been sold under these programs.

4. Inventories

	2002	2001
Material held for production	$ 130,840	$ 106,465
Finished products	136,049	125,453
	$ 266,889	$ 231,918

5. Property and equipment

	2002	2001
Land	$ 64,629	$ 67,454
Building	335,435	328,310
Machinery and equipment	1,017,986	917,582
Construction in progress	18,769	39,232
Land held for development or sale	1,751	8,176
	1,438,570	1,360,754
Less accumulated depreciation	653,145	564,822
	$ 785,425	$ 795,932

6. Other long-term assets

	2002	2001
Net pension asset (note 16)	$ 154,581	$ 134,582
Notes and mortgages receivable	2,170	20,039
Deferred financing costs	3,159	4,543
Deferred foreign currency translation losses	—	1,493
Other	—	1,304
	$ 159,910	$ 161,961

7. Long-term debt

	2002	2001
Revolving term facility (a)	$ —	$ 107,900
Non-revolving term facility (a)	62,500	125,000
Non-revolving term facility (U.S. $57.0 million) (a)	88,806	107,703
Notes payable, due 2009 (U.S. $140.0 million) (b)	219,323	—
Notes payable, due 2007 (U.S. $60.0 million) (b)	93,240	—
Notes payable, due 2010 (c)	225,775	225,775
Notes payable – Landmark Group (d)	8,570	19,038
Revolving term facilities – Canada Bread (e)	9,500	30,000
Other (f)	28,563	36,030
	736,277	651,446
Less current portion	22,588	23,556
	$ 713,689	$ 627,890

(a) The Company's lending arrangement with Canadian chartered banks consists of three main tranches: (i) a committed seven-year, $467.5 million revolving reducing term facility which matures in 2006 ($22.5 million), 2007 ($100.0 million) and 2008 ($345.0 million); (ii) a $62.5 million, non-revolving, reducing term facility maturing by 2004; and (iii) a U.S. $57.0 million, non-revolving, reducing term facility maturing by 2005. These facilities bear interest based on Bankers' Acceptance rates for Canadian dollar loans, and LIBOR for U.S. dollar loans.

As at December 31, 2002, $50.9 million (2001 – $172.0 million) of the $467.5 million revolving facility was utilized, the full amount being in respect of letters of credit and trade finance (2001 – $64.0 million). The available amount under this facility will reduce by $32.5 million in 2003.

Of the borrowings under the $62.5 million facility noted above, $37.5 million matures in 2003. Of the borrowings under the U.S. $57.0 million facility noted above, U.S. $19.5 million matures in 2003. As at December 31, 2002, both these facilities were fully drawn. The Company intends to replace these with borrowings under the $467.5 million revolving facility.

(b) In December 2002, the Company issued U.S. $200.0 million (Cdn. $312.6 million) of notes payable to a group of U.S. institutional investors. The notes payable include a U.S. $140.0 million tranche (Series C), bearing interest at 6.3% per annum and due in 2009, and a U.S. $60.0 million tranche (Series D), bearing interest at 5.6% per annum and due in 2007. Through the use of cross-currency swaps (note 8), the Company effectively converted U.S. $75.0 million into Canadian dollar-denominated debt of $116.5 million at an effective floating interest rate of the three-month Bankers' Acceptance rate plus 2.5% per annum.

(c) In April 2000, the Company issued $225.8 million of notes payable to various U.S. and Canadian institutional investors. The notes payable include a Canadian dollar-denominated tranche (Series A) for Cdn. $115.0 million, bearing interest at 7.7% per annum, and a U.S. dollar-denominated tranche (Series B) for U.S. $75.0 million, bearing interest at 8.5% per annum. Through the use of cross-currency swaps (note 8), the Company effectively converted the U.S. dollar tranche into Canadian dollar-denominated debt, resulting in a total Canadian dollar-denominated debt of $225.8 million for the two tranches at a combined effective fixed interest rate of 7.7% per annum. The notes are repayable on April 28, 2010.

(d) In October 1999, the Company issued $36.2 million in notes payable in partial consideration for the acquisition of The Landmark Group Inc. These notes bear interest at 5.8% and are repayable over various terms to maturity through 2003. As at December 31, 2002, $8.6 million was outstanding and is classified as current.

(e) In 2001, Canada Bread established a debt facility with a syndicate of banks to finance the acquisition of Multi-Marques Inc. and provide liquidity for general corporate purposes. The current amount of the facility is $119.0 million and it is structured as follows:

(i) A $99.0 million revolving, reducing term facility, maturing in 2005.

(ii) A committed four-year $20.0 million revolving term facility which matures in 2005.

These facilities can be drawn in either Canadian or U.S. dollars and bear interest based on Bankers' Acceptance rates for Canadian dollar loans and LIBOR for U.S. dollar loans. As at December 31, 2002, $15.7 million was utilized under this facility (including drawings of $6.2 million in respect of letters of credit).

(f) Subsidiaries of the Company have various lending facilities with interest rates ranging from non-interest bearing to 6.5% per annum. These facilities are repayable over various terms from 2003 to 2009. As at December 31, 2002, $28.5 million (2001 – $36.0 million) was outstanding.

The Company's various facilities with Canadian chartered banks and other lenders, all of which are unsecured, are subject to certain financial covenants.

Required repayments of long-term debt for the next five years and thereafter are as follows:

2003	$ 22,588
2004	4,370
2005	12,465
2006	57,458
2007	157,847
Thereafter	481,549
	$ 736,277

8. Derivative financial instruments and risk management

In the ordinary course of business, the Company enters into derivative financial instruments to reduce underlying fair value and cash flow risks associated with foreign currency and interest rates.

Foreign currency risk management

The Company uses foreign currency forward contracts and options to manage its currency exposures. These currency exposures relate primarily to U.S. dollar and Japanese yen-denominated export sales and, to a much lesser extent, expenditures denominated in other foreign currencies. The following table summarizes the Company's principal net commitments to sell foreign currency under forward contracts at December 31, 2002 and 2001:

	Currency	Notional currency amount	Average exchange rate	Maturity
2002		(000's)		
Sales contracts	U.S. $	13,885	1.5919	2003
	¥	4,163,752	0.012886	2003
2001				
Sales contracts	U.S. $	137,010	1.5815	2002
	¥	4,334,159	0.0126548	2002

At December 31, 2002, the Company had outstanding commitments to buy and sell U.S. dollars. The net of all transactions was a commitment to sell approximately U.S. $13.9 million. This is comprised primarily of three categories of transactions:

(a) Sales of U.S. $76.9 million related to operating sales already committed to customers;

(b) Purchase of U.S. $6.0 million to hedge U.S. dollar interest payments; and

(c) Purchase of U.S. $57.0 million purchased to effectively convert the U.S. dollar term loan (note 7(a)) into a Canadian dollar equivalent loan.

Based on the exchange rate at December 31, 2002, the Company would have realized a net loss of $1.7 million (2001 – a net gain of $0.2 million) to settle all its commitments under its outstanding foreign exchange forward contracts.

Interest rate risk management

The Company uses a variety of interest rate derivative instruments, including swaps, caps and collars to manage its exposure to interest rate fluctuations. The aggregate notional principal outstanding under these contracts was as follows:

	2002	2001
Cdn. $ swaps	$ 380,000	$ 380,000
U.S. $ swaps	15,000	15,000
U.S. $ collars	—	60,000

The fixed rate swap contracts ($380.0 million) have fixed rates that range from 5.5% to 7.9%. These swap contracts, which mature between 2003 and 2009, have a weighted average term to maturity of 4.6 years.

Additionally, in 2002, the Company entered into $100.0 million of floating rate arrears swaps, which expire in July 2003. These arrears swaps result in the Company receiving the current rate in effect plus a spread of 0.8% and paying the rate in effect six months later.

The Company entered into a U.S. $75.0 million cross-currency fixed to fixed rate swap in April 2000. This contract was entered into to fix the Canadian dollar equivalent of the principal and interest payments on the Series B notes. This swap effectively locks in a Canadian dollar equivalent $110.8 million principal amount on the notes and locks in a Canadian dollar-denominated effective fixed interest rate of 7.7% on these notes for their entire term.

The Company also entered into additional U.S. $75.0 million cross-currency fixed to floating rate swaps in December 2002. These contracts were entered into to fix the Canadian dollar equivalent of the principal and interest payments, and convert the interest rate to a floating rate, on a portion of the Series C and Series D notes. These swaps effectively lock in a Canadian dollar equivalent of $116.0 million principal amount on U.S. $75.0 million of these notes, and effectively convert the portion of the notes into floating rate debt at three-month Bankers' Acceptance rate plus 2.5%. U.S. $60.0 million of the swaps mature in 2007 and U.S. $15.0 million in 2009.

Based on market values at December 31, 2002, the Company would have incurred a loss of $21.4 million (2001 – $25.0 million) to terminate the above-noted interest rate derivative contracts. Market values were determined based on information received from the Company's counterparties to these contracts.

The Company's blended average effective cost of borrowing for 2002 was 6.7% (2001 – 6.7%) after taking

account of the above-noted interest rate derivative instruments.

9. Shareholders' equity

Shareholders' equity consists of the following:

	2002	2001
Share capital	$ 562,860	$ 554,781
Convertible debentures (note 10)	94,857	93,645
Retained earnings	63,758	3,310
Unrealized foreign currency adjustment	10,426	7,980
	$ 731,901	$ 659,716

The authorized share capital of Maple Leaf Foods consists of an unlimited number of common shares and 23,400,000 non-voting common shares, of which 22,000,000 are issued and outstanding as at December 31, 2002 and 2001. The non-voting common shares carry rights identical to those of the common shares, except that they have no voting rights other than as specified in the Canada Business Corporations Act. Each non-voting common share is convertible at any time into one common share at the option of the holder. Holders of non-voting common shares have a separate class vote on any amendment to the articles of the Company if the non-voting common shares would be affected by such amendment in a manner, which is different from the holders of common shares.

Details of share transactions during the year are as follows:

	Number of shares	Share capital
Balance, December 31, 2000	95,057,176	$ 382,957
Issued for cash on exercise of options (note 11)	364,933	2,705
Shares repurchased for cancellation	(173,800)	(700)
Equity issue	16,708,736	169,819
Balance, December 31, 2001	111,957,045	554,781
Issued for cash on exercise of options (note 11)	990,374	8,079
Balance, December 31, 2002	112,947,419	$ 562,860

On December 14, 2001, the Company issued 16.7 million common shares at $10.30 per share for total net proceeds to the Company of $169.8 million (after costs of $2.3 million).

During 2001, the Company repurchased for cancellation 173,800 common shares pursuant to a normal course issuer bid at an average price of $8.69 per share. The excess of the purchase cost over the book value of the shares was charged to retained earnings.

10. Convertible debentures

On December 10, 1998, the Company completed a private placement of $91.3 million in convertible unsecured subordinated debentures for net proceeds, after costs, of $90.0 million. The debentures mature on December 31, 2005 and bear an interest rate of 6.0% per annum. The debentures may be converted by the debenture holders into common shares of the Company at a conversion price of $15.00 per share (subject to adjustment upon the occurrence of certain dilutive events), any time prior to maturity or the day immediately preceding the date fixed for redemption. If all of the debentures are converted, 6,086,667 common shares of the Company would be issued.

At its option, the Company may redeem the debentures on or after December 8, 2002 and until December 8, 2004, provided that the 20-day average of the Company's share price is not less than 125% of the conversion price. On and after December 8, 2004, the debentures will be redeemable at the Company's option at any time at par plus any accrued and unpaid interest.

The Company has the unrestricted option to satisfy payment on the redemption or maturity of the debentures, and its interest obligations, by issuing common shares of the Company. Accordingly, the convertible debentures have been classified as equity, including $7.3 million of the proceeds allocated to the value of the debenture holders' conversion option. Carrying charges, including coupon interest, on an after-tax basis, are classified as a distribution of equity and as a deduction in calculating earnings per common share.

11. Share options

Under the Maple Leaf Foods Share Option Plan as at December 31, 2002, the Company may grant options to its employees and employees of its subsidiaries to purchase up to 13,294,093 shares of common stock. Under

the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is 10 years. Options are granted from time to time by the Board of Directors on the recommendation of the Human Resources and Compensation Committee. The vesting conditions are specified by the Board of Directors and may include continued service of the employee with the Company and/or other criteria based on a measure of the Company's performance.

A summary of the status of the Company's stock option plans as at December 31, 2002 and 2001, and changes during these years is presented below:

	2002		2001	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding, beginning of year	10,572,064	$ 11.25	8,585,205	$ 11.22
Exercised	(990,374)	8.17	(364,933)	7.41
Granted	2,503,500	14.36	2,916,400	11.05
Expired and terminated	(1,231,723)	12.27	(564,608)	12.22
Outstanding, end of year	10,853,467	12.13	10,572,064	11.25
Options currently exercisable	5,073,408	$ 11.55	3,564,351	$ 10.87

All outstanding share options vest and become exercisable over a period not exceeding six years (time vesting) from the date of grant and/or upon the achievement of specified performance targets (based on return on net assets, earnings, share price or total stock return relative to an index). The options have a term of between seven and 10 years. The number of share options outstanding at December 31, 2002, together with details regarding time and performance vesting conditions of the options, is as follows:

	Options outstanding			Options currently exercisable		Options subject to time vesting only		Options subject to performance vesting	
Range of exercise price	Number outstanding	Weighted average exercise price	Weighted average remaining term (in years)	Number exercisable	Weighted average exercise price	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
$ 5.26 to 9.13	2,326,345	$ 8.59	4.0	1,600,845	$ 8.43	—	$ —	725,500	$ 8.94
10.00 to 10.90	2,324,900	10.84	5.5	771,100	10.84	1,412,000	10.88	141,800	10.43
10.97 to 12.87	2,540,631	12.28	4.1	1,635,972	12.35	607,531	12.44	297,128	11.54
13.25 to 14.74	3,029,506	14.58	5.6	633,706	14.24	85,000	14.14	2,310,800	14.68
15.01 to 18.47	632,085	17.65	2.6	431,785	17.39	120,400	18.47	79,900	17.82
$ 5.26 to 18.47	10,853,467	$ 12.13	4.7	5,073,408	$ 11.55	2,224,931	$ 11.84	3,555,128	$ 13.15

During 2002, the Company granted 2,503,500 stock options at a weighted average exercise price per share of $14.36. The fair value of the options issued in the year was determined using the Black-Scholes option pricing model with the following assumptions: a weighted average risk free interest rate of 4.9%, a weighted average expected dividend yield of 1.1%, a weighted average volatility factor of the market price of the Company's shares of 38.7%, and a weighted average expected option life of 4.2 years. The estimated fair value of the options granted during the year was $8.8 million. For the purpose of the pro forma disclosure, the estimated fair value of the options issued is amortized to income over the vesting period of the related options. For 2002, the effect of these stock option awards, had they been charged to earnings during the year, would have been an expense of $1.8 million with a related $0.02 reduction to diluted earnings per common share.

On a comparative basis, during 2001, the Company granted 2,916,400 stock options that call for settlement by the issuance of common shares at a weighted average exercise price per share of $11.05. The estimated fair value of the options issued during 2001 was $8.6 million. For 2001, the effect of these stock option

awards, had they been charged to earnings during the year, would have had a $0.01 reduction on diluted earnings per common share.

12. Earnings per share

The following table sets forth the calculation of basic and diluted earnings per share:

	2002	2001
Numerator:		
Net earnings	$ 84,686	$ 57,439
Convertible debenture charge (note 10)	(4,710)	(4,540)
Earnings available to common shareholders	$ 79,976	$ 52,899
Denominator:		
Weighted average common shares outstanding (in millions)	112.589	95.864
Effect of dilutive securities (in millions):		
Employee stock options (1)	0.757	0.561
Weighted average shares – diluted (in millions) (2)	113.346	96.425

(1) Excludes the effect of 1.1 million options (2001 – 2.6 million) to purchase common shares, as they are anti-dilutive.

(2) For 2002 and 2001, the convertible debt is anti-dilutive.

	2002	2001
Earnings per share:		
Basic	$ 0.71	$ 0.55
Diluted	0.71	0.55

13. Other income

	2002	2001
Earnings from associated companies	$ 715	$ 1,958
Gain on sale of investments, net	1,340	2,502
Gain real estate operations	4,796	1,926
Gain on sale of property and equipment	14	154
Dividends received	1,629	3,789
Advisor, legal and accounting costs for bakery reorganization	(3,400)	—
Other	261	309
	$ 5,355	$ 10,638

14. Interest expense

	2002	2001
Interest expense on long-term debt	$ 51,638	$ 58,655
Other net interest expense	4,651	5,782
	$ 56,289	$ 64,437

15. Income taxes

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income taxes rate as a result of the following:

	2002	2001
Expected income tax expense based on statutory income tax rate of 39.7% (2001 – 42.9%)	$ 60,613	$ 44,537
Increase (decrease) in income taxes resulting from:		
Adjustment to net future tax liabilities for changes in tax laws and rates	(438)	(92)
Manufacturing and processing credit	(5,701)	(4,863)
Non-taxable gains	(756)	(523)
Non-deductible goodwill	—	2,307
Equity in earnings of associated companies	786	(3,290)
Dividends not taxable	(577)	(1,375)
Large Corporations Tax	1,799	1,868
Other	(779)	547
	$ 54,947	$ 39,116

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31 are presented below:

	2002	2001
Future tax assets:		
Non-capital loss carryforwards	$ 93,248	$ 96,040
Accrued liabilities	17,126	13,833
Deferred interest deductions	6,601	6,690
Other	7,993	5,906
	$ 124,968	$ 122,469
Future tax liabilities:		
Property and equipment	$ 75,484	$ 94,296
Cash basis farming	7,721	8,513
Investments in associated companies	1,129	1,129
Net pension asset	51,123	46,739
Other	8,384	4,803
	$ 143,841	$ 155,480
Classified in the consolidated financial statements as:		
Future tax asset – current (included in prepaid expenses and other assets)	$ 5,847	$ 3,804
Future tax asset – non-current	21,733	14,602
Future tax liability – non-current	(46,453)	(51,417)
Net future tax liability	$ (18,873)	$ (33,011)

16. Pensions and other post-retirement benefits

Information about the Company's defined benefit plans as at December 31, in aggregate, is as follows:

	2002	2001
Accrued benefit obligation:		
Balance, beginning of year	$ 641,541	$ 638,389
Addition of Multi-Marques Plan	18,317	—
Current service cost	8,332	8,841
Interest cost	41,075	43,795
Benefits paid	(57,116)	(54,511)
Actuarial losses (gains)	16,444	(1,140)
Employee contributions	6,038	4,992
Impact of Plan 100 wind-up	(3,170)	—
Annuity purchase for Plan 100	(29,035)	—
Plan amendments	130	1,175
Balance, end of year	$ 642,556	$ 641,541
Plan assets:		
Fair value, beginning of year	$ 1,016,686	$ 1,075,619
Addition of Multi-Marques Plan	17,412	—
Actual return on plan assets	(37,483)	(10,718)
Employer contributions	1,652	1,304
Employee contributions	6,038	4,992
Benefits paid	(57,116)	(54,511)
Asset transfer to Company defined contribution plan	(427)	—
Annuity purchase for Plan 100	(29,035)	—
Fair value, end of year	$ 917,727	$ 1,016,686
Funded status – plan surplus	$ 275,171	$ 375,145
Unamortized transition amount	(270,595)	(284,559)
Unamortized net actuarial loss	148,984	42,896
Unamortized prior service cost	1,021	1,100
Accrued benefit asset	$ 154,581	$ 134,582

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2002	2001
Discount rate	6.50%	6.75%
Expected long-term rate of return on plan assets	7.50%	8.00%
Rate of compensation increase	4.00%	4.00%

The Company's net benefit plan expense (income) is as follows:

	2002	2001
Current service cost – defined benefit	$ 8,332	$ 8,841
Current service cost – defined contribution	427	—
Interest cost	41,075	43,795
Expected return on plan assets	(72,444)	(84,121)
Amortization of transitional obligation	(13,964)	(5,183)
Deferred pension income	15,667	26,143
Actuarial gain recognized	1,215	—
Amortization of prior service cost	209	77
Net benefit plan income	$ (19,483)	$ (10,448)

In the fourth quarter of 2002, final regulatory approval was issued by the Superintendent of Financial Services of Ontario of a surplus sharing agreement reached with the beneficiaries of Plan 100, a defined benefit pension plan established for hourly workers in certain of the Company's Canadian meat processing operations. The surplus sharing agreement was negotiated among the Company and all the stakeholders of Plan 100. This approval allows the Company to begin the process of settling liabilities and disbursing surplus in accordance with the applicable laws. During the fourth quarter of 2002, the Company settled a portion of Plan 100 liabilities through the purchase of annuities in the amount of $29.0 million, and recorded an $8.6 million pre-tax settlement gain. As at December 31, 2002, subject to actuarial adjustments, Plan 100 had approximately $187.0 million in assets and $131.0 million in liabilities.

17. Acquisitions and divestitures

(a) 2002

In 2001, Canada Bread Company, Limited ("Canada Bread"), acquired the remaining 75% interest in Multi-Marques Inc. and in April 2002, Canada Bread acquired the remaining 40% of the shares of Ben's Bakery Limited in Atlantic Canada to hold 100%.

In July 2002, Canada Bread acquired all of the outstanding shares of Olafson's Baking Company Inc. of Delta, British Columbia. The initial purchase price was $11.5 million. Additional consideration, up to a maximum of $11.0 million, may be payable depending on the attainment of certain financial targets, up until February 28, 2004.

In October 2002, the Company acquired Grace Baking Company of San Francisco, California. Grace Baking Company is a leading U.S. producer of premium fresh and frozen artisan bread products.

The Company has not yet completed the determination of fair values of the individual assets and liabilities acquired, or its restructuring and integration plans for the operations acquired in 2002. Accordingly, the allocation of the purchase cost to the assets and liabilities acquired is preliminary and will change as restructuring plans are finalized. No restructuring costs have been accrued in the preliminary purchase accounting included in these consolidated financial statements or accrued with

respect to any restructuring of existing Canada Bread operations that may result from the integration plans, when finalized.

In December 2002, Canada Bread purchased all of Maple Leaf Foods' U.S. and U.K. bakery operations, including Grace Baking Company, for approximately $262 million, inclusive of debt assumption. In these consolidated financial statements, this transaction has been accounted for at book value, however, transaction costs in the amount of $3.4 million have been expensed and included in other income.

(b) 2001
In March 2001, the Company purchased two fresh pork operations in Manitoba for $41.2 million.

In September 2001, the Company purchased the shares of a bagel manufacturing business located in England for $9.4 million.

Details of net assets acquired in 2002 and 2001 are as follows:

	2002	2001
Cash	$ 988	$ 28,418
Net working capital (deficit)	(2,415)	(1,322)
Other long-term assets	(1,715)	401
Property and equipment	4,674	126,268
Goodwill and other intangibles	78,055	91,421
Long-term debt and debt due to parent company	(10,347)	(15,125)
Future income taxes	5,924	(9,048)
Minority interest	4,406	(4,078)
Net assets of acquired companies	79,570	216,935
Less carrying value of 25% interest in Multi-Marques Inc. already owned	—	30,289
Total purchase cost	$ 79,570	$ 186,646
Consideration:		
Cash	$ 67,955	$ 186,646
Accounts payable, accrued charges and long-term debt	11,615	—
	$ 79,570	$ 186,646

18. Contingencies and commitments

(a) In 1999, the Company entered into agreements, including a conditional sales agreement, to finance $130.0 million of the construction cost of a new hog processing facility in Brandon, Manitoba. In 2006, the Company has the option to purchase the facility for $78.0 million or to put the facility back to the seller. The obligations under the agreement have been accounted for as an operating lease (note 18(d)). Obligations under this agreement at December 31, 2002 amounted to $126.8 million (2001 – $130.0 million).

(b) The Company has been named as defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

(c) In the normal course of business, the Company enters into sales commitments with various customers, and purchase commitments with various suppliers. These commitments are for varying terms, and can provide for fixed or variable prices. The Company believes these contracts serve to reduce risk, and it is not anticipated that losses will be incurred on these contracts.

(d) The Company has operating lease rent and other commitments, including commitments under the agreements in note 18(a) in respect of property and equipment used in operations, which require minimum annual payments as follows:

2003	$ 50,889
2004	41,740
2005	33,701
2006	109,432
2007	5,749
Thereafter	8,718
	$ 250,229

19. Segmented financial information

The Company's operations are classified into the following three primary business segments, which have been used for the operating segment disclosures for all years presented:

(i) Meat Products Group includes the Company's meat and meat-related businesses, comprising the fresh pork, prepared meats, poultry and international food trading operations.

(ii) Agribusiness Group includes the Company's feed and pet food businesses, the Rothsay rendering business, swine production, poultry growing and hatching operations.

(iii) Bakery Products Group includes Canada Bread.

(In millions of Canadian dollars)	2002	2001	Pro forma for the year ended December 31, 2001*
Sales to customers			
Meat Products Group	$ 2,952.9	$ 3,113.0	$ 3,113.0
Agribusiness Group	943.9	878.7	878.7
Bakery Products Group	1,179.1	783.7	783.7
	$ 5,075.9	$ 4,775.4	$ 4,775.4
Earnings from operations,			
Meat Products Group	$ 66.8	$ 38.1	$ 42.4
Agribusiness Group	66.8	81.5	82.8
Bakery Products Group	70.0	37.9	42.7
	$ 203.6	$ 157.5	$ 167.9
Capital expenditures			
Meat Products Group	$ 32.4	$ 28.9	$ 28.9
Agribusiness Group	35.0	22.2	22.2
Bakery Products Group	24.8	35.6	35.6
	$ 92.2	$ 86.7	$ 86.7
Depreciation and amortization			
Meat Products Group	$ 41.2	$ 46.8	$ 42.5
Agribusiness Group	16.5	18.0	16.7
Bakery Products Group	38.5	34.5	29.7
	$ 96.2	$ 99.3	$ 88.9
Total assets			
Meat Products Group	$ 694.0	$ 724.1	$ 724.1
Agribusiness Group	500.0	457.9	457.9
Bakery Products Group	742.8	627.0	627.0
Non-allocated assets	252.4	171.7	171.7
	$ 2,189.2	$ 1,980.7	$ 1,980.7

* Calculated after adding back goodwill amortization of $10.4 million in 2001.

The Agribusiness Group operating earnings include the Company's share of after-tax earnings or loss from equity-accounted hog investments in the amount of a loss of $2.9 million and earnings of $6.2 million for the years ended December 31, 2002 and 2001, respectively.

During the year total sales to customers outside of Canada were $1,827.2 million (2001 – $1,703.8 million) of which $898.2 million (2001 – $832.2 million) were sales to the United States.

20. Subsequent event

On January 28, 2003, Maple Leaf Foods purchased four million shares from the Canada Bread treasury at $26.50 per share in a private placement transaction. The $26.50 per share price represents a 24% premium to the average closing price for Canada Bread common shares for the 10 days preceding the announcement. Proceeds from the financing of $106.0 million have been used to pay down debt under Canada Bread's existing credit facility with Maple Leaf Foods. Prior to this transaction, Maple Leaf Foods owned 68.3% of the outstanding common shares. After the issuance of the shares, Maple Leaf Foods owns approximately 73.3% of the outstanding common shares of Canada Bread.

Senior management and officers

Corporate Council

G. Wallace F. McCain
Chairman

Michael H. McCain
President and Chief Executive Officer and
Chief Operating Officer, Meat Products Group

J. Scott McCain
President and Chief Operating Officer, Agribusiness Group

Richard A. Lan
President and Chief Operating Officer, Bakery Products Group

Thomas P. Muir
Chief Financial Officer

Michael E. Detlefsen
Executive Vice-President, Vertical Coordination

Michael H. Vels
Executive Vice-President, Finance

Rocco Cappuccitti
Senior Vice-President, Transactions and
Administration and Corporate Secretary

Wayne Johnson
Vice-President, Human Resources

Executive Council

(Includes Members of the Corporate Council and Senior
Operating Management as follows)

Ronald J. Arnason
President, Landmark Feeds Inc.

M. Edward Bilyea
President, Maple Leaf Foods International

Brock J. Furlong
President, Maple Leaf Poultry

Kevin P. Golding
President, Rothsay

F. Dickson Gould
President, Elite Swine Inc.

Thomas A. Jakubowski
Vice-President, Strategic Planning

Lynda J. Kuhn
Vice-President, Public & Investor Relations

Douglas J. MacFarlane
President, Canada Bread Frozen Bakeries

C. Barry McLean
President, Canada Bread Fresh Bakeries

Peter Maycock
Managing Director, Maple Leaf Bakery, U.K.

Bruce Miyashita
Vice-President, Six Sigma

Randy A. Powell
President, Maple Leaf Pork

Patrick A. Ressa
Chief Information Officer

Peter C. Smith
Vice-President, Corporate Engineering

George A. Szewchuk
Vice-President, Purchasing

Jerry Vergeer
President, Shur-Gain

Richard Young
President, Maple Leaf Consumer Foods

Other Corporate Officers

J. Nicholas Boland
Vice-President and Corporate Controller

Natalie M. Marche
Treasurer

Judith A. Robinson
Assistant Corporate Secretary

Corporate governance

The Board of Directors, management and the two largest shareholders of the Company believe strongly in the importance of good corporate governance as a mechanism for ensuring that the affairs of the Company are conducted to the best advantage of all its shareholders with due regard to other stakeholders' interests. Accordingly, the Board has adopted a policy of conforming to best practices and to observe to the greatest extent practicable, the guidelines adopted in December 1994 by the Toronto Stock Exchange Committee on Corporate Governance (the "TSE Guidelines"). A more complete description of the Company's approach to Corporate Governance is contained in the Company's Management Proxy Circular.

Compliance with the TSE Guidelines

The Company meets all but one of the TSE Guidelines. Responsibility for nominations to the Board are subject to an agreement between the Company's two largest shareholders whereby the Board shall comprise five nominees of McCain Capital Corporation ("MCC"), three nominees of Ontario Teachers' Pension Plan Board ("OTPPB") and five independent directors.

Composition of the Board of Directors

The Board consists of thirteen members. The Board is of the view that at least eight of the thirteen directors are independent in that they do not have interests in or relationships with either the Company or its significant shareholders, MCC and OTPPB. The Board has also concluded that ten directors are "unrelated" as the term is used in the TSE Guidelines.

A more comprehensive analysis of corporate governance matters is included in the Management Proxy Circular for the April 30, 2003 Shareholders' Meeting.

Board of directors

Purdy Crawford O.C.
Counsel, Osler, Hoskin & Harcourt and
Chairman, AT&T Canada Corp.
(law firm and telecommunication services company)
Mr. Crawford is a director of a number of U.S. and Canadian public companies. Until February 2000, he was the non-Executive Chairman of Imasco Limited and CT Financial Services. Mr. Crawford is an Officer of the Order of Canada and a member of the Canadian Business Hall of Fame.

Jean-Claude Delorme O.C., O.N.Q.
Corporate Director
Mr. Delorme serves on the boards of directors of a number of Canadian and international companies. He was Chairman of the Board and CEO of the Caisse de dépôt et placement du Québec until 1995. Mr. Delorme is an Officer of the Order of Canada and of the Ordre National du Québec.

Jeffrey Gandz
Professor, Richard Ivey School of Business,
The University of Western Ontario
Dr. Gandz has been a consultant for many Canadian financial institutions, corporations and government ministries, as well as the author of books and government reports on a variety of subjects including management and organization.

James F. Hankinson
Corporate Director
Mr. Hankinson is a director of a number of Canadian companies. Mr. Hankinson retired as President and CEO of New Brunswick Power Corporation in 2001. He was President and COO of Canadian Pacific Limited until 1995.

Robert W. Hiller
Corporate Director
Mr. Hiller has served as a director and senior officer of a number of large multi-national food companies in the United States and in Canada. Until 1991, he was Senior Vice-President and CFO of the Campbell Soup Company Limited.

Chaviva M. Hosek
President and Chief Executive Officer
Canadian Institute of Advanced Research
(Research Institute)
Dr. Hosek served from 1990 to 2000 as Senior Policy Advisor in the Prime Minister's Office and to the Leader of the Opposition, as well as Director, National Liberal Caucus Research Bureau. Dr. Hosek served as MPP for Oakwood, in the Ontario legislature, Minister of Housing, Government of Ontario from

1987 to 1990 and was a Research Partner at Gordon Capital Corporation prior to 1987.

Donald E. Loadman
Corporate Director and Business Consultant
Mr. Loadman's career includes service in Canada and the United States with three multi-national food and packaged goods companies. Until 1991 Mr. Loadman was Chairman of Pillsbury International. Mr. Loadman is a resident of California. Until 1996, Mr. Loadman was Chairman of Ault Foods Limited.

G. Wallace F. McCain O.C.
Chairman, Maple Leaf Foods Inc.
Mr. McCain was appointed Chairman following the acquisition of the Company in April 1995. Mr. McCain co-founded McCain Foods Limited in 1956 which has grown to become one of the largest frozen food companies in the world. Mr. McCain was President and Co-CEO of McCain Foods Limited until 1994 and is currently its Vice-Chairman. Mr. McCain is an Officer of the Order of Canada.

J. Scott McCain
President and Chief Operating Officer, Agribusiness Group, Maple Leaf Foods Inc.
Before joining Maple Leaf Foods Inc. in April 1995, Mr. McCain was Vice-President for Production of McCain Foods Limited in Canada, a company he joined in 1978.

Michael H. McCain
President and Chief Executive Officer, Maple Leaf Foods Inc.
Mr. McCain joined Maple Leaf Foods Inc. in April 1995 after 16 years with McCain Foods Limited in Canada and the United States. Prior to leaving in March 1995, Mr. McCain was the President and CEO of McCain Foods USA Inc.

J. Edward Newall O.C.
Chairman, Newall & Associates
(Consulting firm)
Mr. Newall is also Chairman and Director of NOVA Chemicals Corporation and Chairman and Director of Canadian Pacific Railway Ltd. In 1998, he retired as Vice-Chairman and CEO of NOVA Corporation. He is a director of Alcan Inc., BCE Inc., Bell Canada and Royal Bank Financial Group. Mr. Newall is an Officer of the Order of Canada.

Gordon R. Ritchie
Chairman of Public Affairs, Hill & Knowlton Canada
(Government and public relations company)
Mr. Ritchie is also CEO of Strategico Inc. and a director of a number of leading Canadian corporations. Mr. Ritchie had 22 years of distinguished public service. As Ambassador for Trade Negotiations, Mr. Ritchie was one of the principle architects of the Canada/United States Free Trade Agreement.

Robert T. Stewart
Corporate Director
Mr. Stewart is a director of a number of large North American companies in various industries. Mr. Stewart had a 40-year career with Scott Paper Limited, retiring in 1995 as Chairman and CEO.

Committees of the Board of Directors

Audit Committee

R.W.	Hiller, Chairman
J.-C.	Delorme
D.E.	Loadman
J.E.	Newall
G.R.	Ritchie

Corporate Governance Committee

P.	Crawford, Chairman
J.-C.	Delorme
J.F.	Hankinson
G.W.F.	McCain
R.T.	Stewart

Environment, Health and Safety Committee

R.T.	Stewart, Chairman
J.	Gandz
R.W.	Hiller
C.M.	Hosek
D.E.	Loadman

Human Resources and Compensation Committee

J.E.	Newall, Chairman
P.	Crawford
J.	Gandz
C.M.	Hosek
J.F.	Hankinson
G.R.	Ritchie

Corporate information

Capital Stock

The Company's authorized capital consists of an unlimited number of voting and 23,400,000 non-voting common shares. At December 31, 2002, 90,947,419 voting shares and 22,000,000 non-voting shares were issued and outstanding, for a total of 112,947,419 outstanding shares. There were 1,269 shareholders of record of which 1,227 were registered in Canada, holding 99.4% of the issued voting shares.

All of the issued non-voting shares are held by Ontario Teachers' Pension Plan Board. These non-voting shares may be converted into voting shares at any time.

Ownership

The Company's major shareholders are McCain Capital Corporation holding 36,363,514 shares representing 32.2% of the total issued and outstanding shares issued and Ontario Teachers' Pension Plan Board holding 20,728,371 voting shares and 22,000,000 non-voting shares representing 37.8% of the total issued and outstanding shares. The remainder of the issued and outstanding shares are publicly held.

Corporate Office

Maple Leaf Foods Inc.
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Tel: (416) 926-2000
Fax: (416) 926-2018
Website: www.mapleleaf.com

Annual Meeting

The annual meeting of shareholders of Maple Leaf Foods Inc. will be held on Wednesday, April 30, 2003 at 11:00 a.m. at the Glenn Gould Studio, Canadian Broadcasting Centre, 250 Front Street West, Toronto, Canada.

Dividends

The declaration and payment of quarterly dividends are made at the discretion of the board of directors. Anticipated payment dates in 2003: March 31, June 30, September 30 and December 31.

Shareholder Inquiries

Inquiries regarding dividends, change of address, transfer requirements or lost certificates should be directed to the Company's transfer agent:
Computershare Trust Company of Canada
Stock and Bond Transfer Department.
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Tel: (514) 982-7270
or 1-800-564-6253
or caregistryinfo@computershare.com

Company Information

For public and investment analysis inquiries, please contact our Vice-President, Public and Investor Relations at (416) 926-2000.

For copies of annual and quarterly reports, annual information form and other disclosure documents, please contact our Senior Vice-President, Transactions and Administration and Corporate Secretary at (416) 926-2000.

Transfer Agent and Registrar

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1
Tel: (514) 982-7270
or 1-800-564-6253
or caregistryinfo@computershare.com

Auditors

KPMG LLP
Toronto, Ontario

Stock Exchange Listings and Stock Symbol

The Company's voting common shares are listed on The Toronto Stock Exchange and trade under the symbol "MFI".

Rapport annuel

Si vous désirez recevoir un exemplaire de la version française de ce rapport, veuillez écrire à l'adresse suivante : Premier vice-président, Transactions et administration et secrétaire de la société, Les Aliments Maple Leaf Inc., 30 St. Clair Avenue West, Toronto, Ontario M4V 3A2

Maple Leaf in North America and the World

where to find it www.mapleleaf.com

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